

Corporate Social Responsibility in Brazil:

To what extent does Norske Skog contribute to sustainable development?

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Abbreviations

ANJ	Brazil's National Association of newspaper
BNDES	Banco Nacional de Desenvolvimento Econômico e Social, (the Brazilian national development- and investment bank).
CEBDS	Conselho Empresarial Brasileiro Para o Desenvolvimento Sustentável – Brazilian under section of WBCSD
CNTI	National Confederation of Industry Workers
COP	Communication on Progress
CPCE	The Business Citizenship Council of Paraná
CSR	Corporate Social Responsibility
FCL	Fletcher Challenge Group
FDI	Foreign Direct Investment
FIEP	Federation of the Industries of the Paraná State
FSC	Forest Stewardship Council
GC	Global Compact
GEF	Global Employee Forum
GRI	Global Reporting Initiative
Gurn	Global Union Research Network
IAP	Instituto Ambiental do Paraná
IBAMA	Instituto Brasileiro de Meio Ambiente
ICEM	International Federation of Chemical, Energy, Mine and General Workers' Unions
ILO	International Labor Organization
INCA	The Brazilian Cancer Institute
IPE	International Political Economy
IPEA	Instituto de Pesquisa Economica Aplicada
DC	Least Developed Countries
LO	The Norwegian Confederation of Trade Unions
NCP	National Contact Points
NGO	Non Governmental Organization
NS	Norske Skog
NSHQ	Norske Skog Head Quarters
OECD	Organization for Economic co-operation and Development
PISA	Papel de Imprensa SA
PT	Labor Party
SENAI	A technical school
SO	The Social Observatory
TNC	Transnational Cooperation
UN	United Nations
WAN	World Association of Newspaper
WBCSD	World Business Council for Sustainable Development
WCED	World Commission for Environment and Development

1. Introduction

1.1 Research Purpose and Research Question

The world has become an arena of multidimensional social, economic and ecological interdependency¹ (Keohane & Nye 1989). One of the main characteristics of this 'complex interdependence'² is the existence of transnational channels of relations connecting societies³, within which Transnational Corporations (TNCs) are key actors. The role of TNCs has grown due to the increase of international economic transactions caused mainly by foreign direct investment (FDI) and the operations of foreign affiliates in developing countries (WIR 2005: 14).⁴ TNCs are mainly based in developed countries with expanding activities in developing countries, especially through their foreign affiliates. The role played by TNCs can no longer be measured solely in economic and financial terms. TNCs are also important in connecting developing countries and industrialized countries in terms of culture, technology and modes of organizations (Hansen 1998: i) setting a new dimension on people's aspirations and on global developmental purposes.

In the Stockholm Conference of 1972, a common understanding was reached that development and the environment are not incompatible - although almost none was certain of how to make them compatible in practice; and despite all discussions raised by LDCs on the 'ecological limitations imposed upon -local- development' (Almeida 2002). A new set of discussion was needed and a World Commission for Environment and Development (WCED), Brundtland Commission, was created by the United Nations in 1983. Meanwhile, it became clearer that environmental problems (with the increase of environmental disasters globally) are interconnected to

¹ "Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries" (Keohane & Nye, 1989: 8). The effects he refers to regards transnational flows of goods, money, people and ideas.

² Complex interdependence is one explanatory model of the world political reality which was developed by Keohane & Nye. Complex interdependence has three main characteristics: (1) besides the 'transnational' channel mentioned above, there are also *interstate transgovernmental* channels of relations, (2) there is an absence of hierarchy among issues and there are multiple issues and, (3) there is no use of military force.

³ Keohane and Nye (1989) use the term 'transnational interaction' to describe "the movement of tangible or intangible items across state boundaries when at least one actor is not an agent of a government or an intergovernmental organization" (ibid: xii).

⁴ By 2004 the number of TNCs had risen to some 70,000 with at least 690,000 foreign affiliates (WIR 2005: 13). Almost half of foreign affiliates are located in developing countries such as Brazil, with 2,820 foreign affiliates by 2004 (ibid: 256).

social and economic issues (ibid). The commission's work culminated with the production of the report *Our Common Future* in 1987, putting in the international agenda the concept of Sustainable Development. Additionally, the commission recommended the UN General Assembly to arrange the II International Conference on Environment and Development, which was held in the city of Rio de Janeiro, Brazil, twenty years after the Stockholm Conference. The Rio-92 had the participation of delegations from 175 countries. Rio-92 was marked by a co-operative working process among the participants rather than the 'conflicting' scenario of the Stockholm 1972 (ibid). The most comprehensive compromises adopted at Rio 92 are the Rio Declaration and the Agenda 21.⁵ Rio 92 aimed at developing a common international cooperative agenda for the sustainable development of the planet through, as proposed by Agenda 21, changing the -negative- developmental patterns that were established until then. Chapter 30 of Agenda 21 recommended more socially and environmentally responsible conducts to the business community, and TNCs.

The purpose of this thesis is to draw an analysis on TNCs' ability to make development sustainable in developing countries through socially responsible actions. The business, or better, *TNC* case for sustainable development is what I want to address in this thesis. I have chosen to focus on the corporate social responsibility (CSR) measures practiced by a particular TNC and its subsidiary located in a developing country. The TNC in question is the Norwegian Norske Skogindustrier ASA, and the affiliate is the Norske Skog Pisa, with operational activities in Jaguariaíva, in Paraná state, Brazil. The main research question in this thesis is the following:

To what extent does Norske Skog contribute to sustainable development?

My main research question will be guided by three other questions:

1) How are CSR- measures being implemented by Norske Skog in Brazil at Pisa?

⁵ Three more restrictive documents were approved: the Framework Convention on Climate Change, the Convention on Biological Diversity (CBD) and the Statement of Forests Principles. The United Nations Department of Economic and Social Affairs: www.un.org/esa/sustdev

2) *Which factors are influencing Norske Skog's implementation of CSR-measures at Pisa?*

3) *Are CSR-measures the best means through which TNCs contribute to Sustainable Development in Brazil?*

The three questions presented above are illustrated in the model I have developed and which will be presented in the following section.

1.2 Analytic Model

I have developed a model inspired from Charles R. Hadlock (1994) and which illustrates the analysis in this thesis. This model will help me understand the forces driving actions and changes in Norske Skog's CSR-management in Brazil; more specifically to the four CSR variables I will introduce below, and its further implications to sustainable development. Hadlock presented in his article *Multinational Corporations and the Transfer of Environmental Technology to Developing Countries*⁶ a model in which he indicates the relationships and actors that are able to shape/influence the environmental management approach taken by TNCs. It shows that the transfer of environmental technology to developing countries has been much more driven by the management of TNCs headquarters than it has by local or national actors in foreign countries. He discusses each of the elements composing his model, by explaining their degree of influence on both TNCs headquarters and foreign subsidiaries.

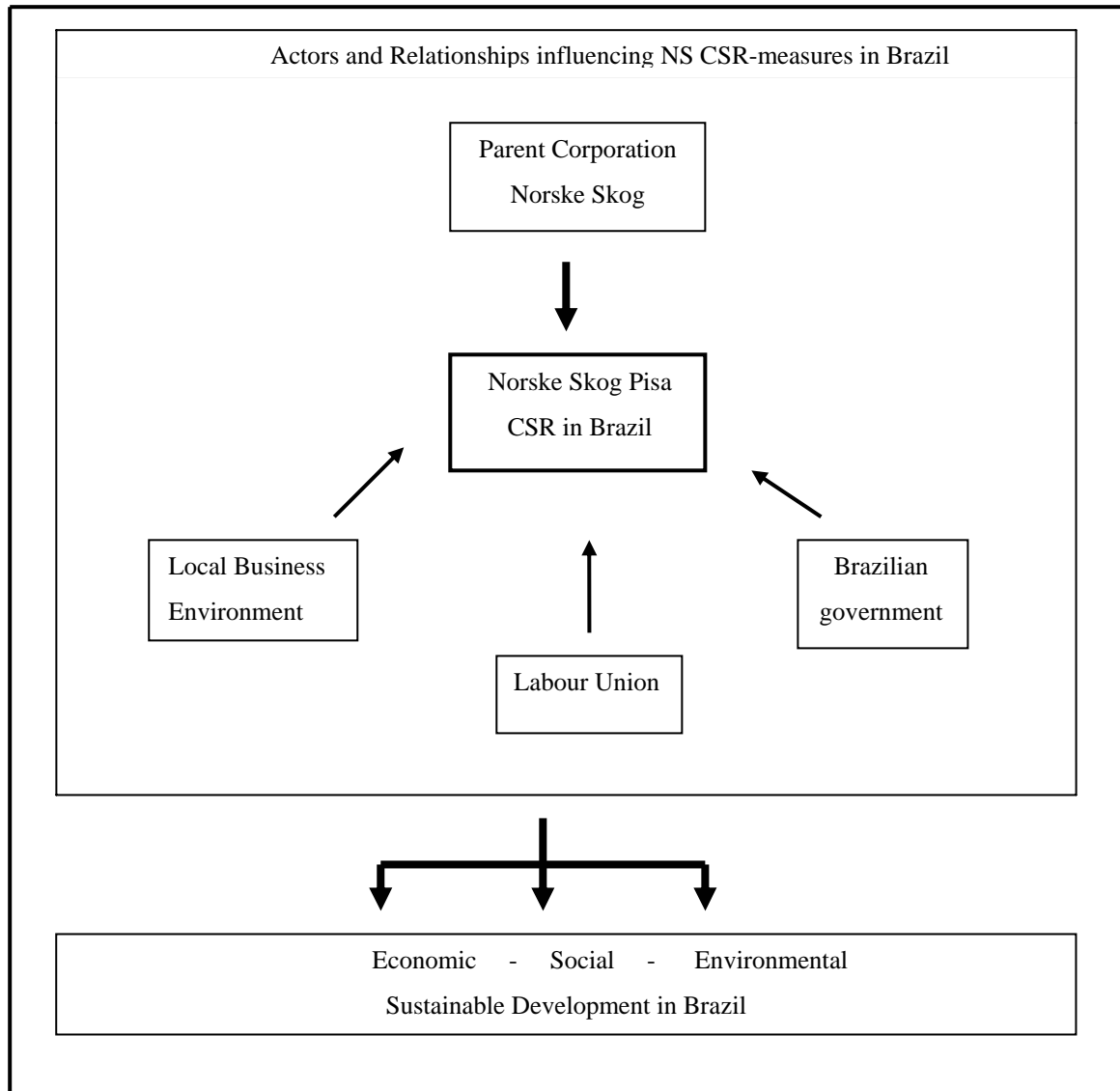
My analytical model encompasses two main groups of actors exerting influences on a TNC's foreign subsidiary in a developing country⁷: (1) the local actors from the developing country in which the affiliate is embedded. According to Hadlock foreign -local- actors are able to influence, in various degrees, and demand changes on the foreign affiliate. Inspired by Hadlock, I will focus on the influences exerted by external actors located in Brazil. Minor attention will be given to the causal factors at NS home country. (2) The parent corporation itself, which is usually located in a developed country. Hadlock states that the influences exerted on the

⁶ I choose to use the terminology TNC instead of multinational corporations (MNCs). The doctrinal implications of one term or another are not engaged in this thesis. TNC is a common terminology for corporations operating over national borders comprising parent enterprises in one country and their foreign affiliates in other countries (WIR 2005: 297).

affiliated are dominated by the corporate headquarters, rather than from other local actors. Is it the case that NS Pisa's CSR-measures derive in a large degree from its headquarters' voluntary initiative to develop and implement them?

Based on the above, and with an attempt to answer my main research question, the model I have drawn suits my analytical framework: (1) the first regarding the CSR-measures implemented by Norske Skog Pisa, (2) the second on the Brazilian subsidiary's internal relationship and communication with its parent corporation as well as on the relationships developed between the affiliated and external actors in influencing such measures and, (3) Norske Skog's contribution, through its CSR-measures, to sustainable development in Brazil.

⁷ The arrows in my model do not correspond to the intensity of the influences on the affiliate yet.



I will present my analytical framework in connection to methodology in the last section of this chapter. First, I will make a brief presentation of the Norske Skog Corporation and the context in which Norske Skog Pisa is embedded. Following that, I will present the concept of sustainable development and the CSR-measures I will base my analysis on.

1.3 The Norske Skog Corporation

Norske Skog's vision is to be "recognized as a world leader in the paper industry". The Norske Skog Corporation consists of 14 wholly and 10 partly owned firm unities in 15 countries on five continents (Europe, North America, South America, Australasia and Asia). Norske Skog is a relatively young company, founded in 1962. After the acquisition of Pan Asia Paper Company in November 2005, Norske Skog

became the world's largest newsprint manufacturer and the third largest manufacturer of paper magazine. One of NS' strategies is to be a low-cost producer, which explains NS' interests in investing in South America. The area is regarded to offer "low-cost production opportunities based on fast-growing plantations and competitive fibre costs" (Annual Report 2005: 10). Corporations may improve their competitiveness by expanding operations in fast-growing markets, by reducing costs and accessing natural resources in developing countries (WIR 2005: xix-xxiii).

Norske Skog has two operative subsidiaries in South America: Norske Skog Bio Bio, in Chile and Norske Skog Pisa, Brazil. NS acquired these two mills in 2001 with the purchase of Fletcher Challenge Ltda group, their former owner (more on chapter three). In addition, NS has also created a Regional Office, *Norske Skog South America*, responsible for administering the two South American mills. It is located in Curitiba, capital of Paraná state, Brazil. NS Pisa is the largest newsprint supplier producing locally in South America today. It is also the only newsprint producer in Brazil, albeit its domestic production supplies the Brazilian newsprint market with only 30 % of what it demands. Thus, one of Norske Skog's goals in Latin America is the investment in a second -and new- paper machine (PM2) at Norske Skog Pisa site.

NS headquarters (hereby NSHQ) has undertaken commitments in regard to the fulfilment of its CSR-strategies. Some of them serve as a global reference to NSHQ such as its membership in the World Business Council for Sustainable Development (WBCSD), whose CSR definition is also used by NS: "Business' commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life." (WBCSD 2002: 2). Moreover, it has joined the UN Global Compact⁸ in June 2003 and

⁸ In response to failure in the creation of political binding efforts for the monitoring of TNCs' activities, the Secretary General of the United Nations, Kofi Annan, launched an international initiative in June 1999 known as The Global Compact (GC). With the GC he addresses the business community directly encouraging them to voluntarily take part of it by supporting and enacting, within their sphere of influence, ten principles which have been universally recognized. GC creates, at the same time, an arena for the interplay between corporations and other social actors, such as (I) NGOs, International Organizations and state actors. Annan's vision is that the private sector may also contribute to "a more sustainable and including globalization" (Annan 1999).

reported its Communication on Progress (COP)⁹ in 2005. Moreover, NS's Annual Report has been based on the guidelines for sustainability reporting developed by the Global Reporting Initiative (GRI). The corporation has used the GRI guidelines since 2003.

1.4 In the context of Brazil

Despite being one of the main destinations of FDI among developing countries, accumulating more than \$10 billion in 2004¹⁰, Brazil still remains the country with the eighth highest income inequality rate in the world, with a Gini coefficient of 0.593 (Human Development Report 2005). From the beginning of the 1980s to the beginning of the 90s Brazil lived a period of weakening in economic growth (in a scenario of debt crises, raising inflation and increasing inequality) and stagnation in industrial development. Efforts to stabilize the Brazilian economy were marked by the introduction of the *Plano Real* in 1994¹¹, which promoted among other things the acceleration of the privatization process, instigating the increase in FDI inflows in 1998 and long-term commitments by investors.

“FDI is one of the most dynamic of the increasing international resource flows to developing countries. FDI flows are particularly important because FDI is a package of tangible and intangible assets, and because the firms –TNCs- deploying them are now important players in the global economy” (World Investment Report 1999: 149).

Although the achievement of Brazil's developmental ‘objectives’ is in a large degree assisted by increases in financial and economic incomes, other aspects of development –e.g. social and environmental- must be managed so that they also benefit from economic growth. There are many factors making the achievement of such developments possible. Domestically (and as proposed by the president Lula's Administration), there is a combination of efforts for the pursuing of economic growth and international investment to the country, together with growing demands for more sustainable environmental and –especially- social development, which has turned the attention to the responsibility of private actors, including TNCs.

⁹ The COP “asks participants to communicate with their stakeholders on an annual basis about progress in implementing the GC principles through their annual financial reports, sustainability report [and] ... other communication channels.” In: <http://www.globalcompact.org/CommunicatingProgress/index.html>

¹⁰ FDI inflows to developing countries reached \$233 billion in 2004 and US\$649 billion worldwide. Unctad, WIR 2005).

Additionally, the scenario is also propitious to Brazil since the Brazilian market has received growing attention from international investors¹².

The founder of WBCSD Stephan Schmidheiny stated: “Brazil has in fact become the regional powerhouse of CSR”¹³. There is a movement in Brazil calling for voluntary commitment of corporations to sustainable business engagement. Although quite new in Brazil (ten years old or even younger), the CSR- movement¹⁴ is getting growing attention within the business community, from small to large size enterprises, making of them, in turn, an active sector in this matter. The relevance put into it, and the work developed by corporations may albeit vary according to their size and their location in the country. The actors motivating them are many and their effects may vary in degrees: some act more as ideological references while others have a more proactive role as drivers and assessors. Completing this scenario are the international marked exigencies and the presence of international organizations such as the WBCSD with its own independent organization established in Brazil - *Conselho Empresarial Brasileiro Para o Desenvolvimento Sustentável* (CEBDS) - which makes part of the informal confederation of WBCSD’s Regional Network.¹⁵

Schmidheiny makes mention to the ‘energy’ of Brazil’s CSR-movement, which is built upon national contextual factors of political, economic and social character.¹⁶ Thus, the desire to engage in such initiative has been translated into diverse referential practices -such as documents and initiatives- and actors comprising the Brazilian CSR-movement. One initiative taken by the Brazilian government, which elevated the role of Brazil in general into the international arena of discussions on sustainable developmental concerns, was its willingness to be the host nation of Rio 92. However, the growing role played by Brazil dates back to the meetings

¹¹ Brazil had implemented four economic stabilization plans from 1986 before the fifth plan ‘Real’ was introduced.

¹² “Brazil conquers the World”: in *Aftenposten*, 20 Sep 2004.

¹³ In: *The Journal of Corporate Citizenship*, Issue 21, Spring 2006: 21-24

¹⁴ According to Ian Wilson (2000) the CSR-movement is a result of the “unwritten charter of societal expectations that determine the values to which the corporation must adhere and sets the terms under which the public grants legitimacy to the corporation” (ibid: 3).

¹⁵ In addition to that, member companies of CEBDS have launched an initiative before the Johannesburg meeting in 2002 called *Movimento Nacional de Compromisso Empresarial* (MNCE). The objective is to guide them in order to improve the Brazilian social reality, always keeping in mind the tripartite concept of business, the state and the civil society.

¹⁶ Schmidheiny describes such factors to be a combination of: “a fairly healthy economy, ...a huge divide between rich and poor, ... and an eagerness on the part of companies to distance themselves from the reputation for corruption that still haunts the country” (ibid).

antecedents of the Stockholm Conference in 72; one in Mexico City in September 1971 and in New York in March 1972 (Almeida 2002). Additionally, a decade later Brazil was among the 21 countries participating in the Brundtland Commission.¹⁷

Moreover, governments may influence CSR-practices by joining and participating directly in international initiatives. Brazil has been affiliated to the International Labour Organization (ILO) since 1919, and ratified most of its core conventions with exception of nr. 87 which guarantees freedom of association (and which contradicts Brazilian law). Brazil has also been an observer country at OECD since 1997 and in 2000 committed to promoting the OECD Guidelines for Multinational Enterprises by adhering to it. Nevertheless, one implementation mechanism of the guidelines, which is the National Contact Points (NCP), was only activated in May 2003. Additionally, one public actor that has been working actively on the case of business for social development is IPEA (*Instituto de Pesquisa Econômica Aplicada*), conducting interviews and issuing reports on corporations (IPEA participated actively in the Ethos Conference by holding presentations in different plenary sections and thematic panels).

The Brazilian authorities at national level have also established communication with, and supported to a certain degree the corporation. Brazil's president Lula has visited the mill at the time the Norwegian royal couple went to Brazil in 2003. He also held a presentation under a Young Readers seminar organized by NS in 2004. Additionally, Stensaas states that NS has also had close contact with Brazilian's Minister of Development, Industry and Foreign Trade, Luiz Fernando Furlan. Stensaas expressed its beliefs in the actual administration, regardless of the latest corruption scandal in which members of the government's party, Labour Party (PT), is heavily involved: the *Mensalão* scandal.¹⁸

¹⁷ Brazil was represented by Paulo Nogueira Neto, professor at the *University of São Paulo* and president of both the *Brazilian Association in Defense of Fauna and Flora* and of the *Forest Council of São Paulo* (Almeida 2002).

¹⁸ It is a corruption scandal where Brazil's ruling party, PT, has been involved through monthly payment to a number of Congressional Deputies of US\$12,000 (at the time) in order to vote for legislation favored by the ruling party.

1.4.1 Ethos Institute

An expressive driver and leader of the Brazil's CSR-movement has been the Ethos Institute -a Brazilian non-governmental/non-profit organization established in Brazil in 1998. Ethos institute is a pioneer organization regarding CSR matters in the Brazilian territory, which has become a reference to the national actors that wish to conduct their business activities in a socially responsible manner. Ethos Institute describes its mission as to “mobilize, encourage and help companies manage their business in a socially responsible way, making them partners in building a sustainable and fair society” (Ethos Institute 2005). The majority of its associated companies¹⁹ are concentrated in the South-eastern region of Brazil (the São Paulo state counting for 55.69 %), although most of them operate at national level. Paraná state has 41 (3.73 %) companies associated to Ethos among which is Norske Skog Pisa, which became an associate in September 2004.

Ethos Institute's president, Oded Grajew, was the idealizer of the World Social Forum²⁰, in which Ethos participates as one of its coordinators. Moreover, the Ethos Institute has grown to be a national linkage to international initiatives such as the Global Compact²¹ –especially by supporting the formation of the GC Network in Brazil- and the Global Reporting Initiative (Observatório Social 2004). It has been internationally recognized as an innovative institution due to the development of its CSR Indicators. Ethos has also developed CSR indicators²² for the GC based on GC's ten principles. A device that the Ethos Institute has used in order to mobilize organizations is its annual conference. Ethos has held conferences since 1999, but it was in 2005 that it gained an international character. The structure of the conference is arranged in plenary sessions, round tables, thematic panels and management workshops. There were 1,303 participants of the International Conference in 2005,

¹⁹ The number of Ethos' associate companies has increased considerably throughout the years -from its eleven initial associates in 1998 to 1100 by February 2006.

²⁰ The World Social Forum is a meeting created to counterbalance the World Economic Forum in Davos. The WSF has been held annually since its first edition in 2000 and it counts with the participation of NGOs and institutions of many kinds. It creates a platform for discussion in an attempt to combine economic growth to human development.

²¹ There are 152 Brazilian participants at the GC, of which 123 are companies (4, 88% of all company members).

²² Full overview at: http://www.fomezero.org.br/publicue/media/publicacoes/metast.do_milenio.pdf, pages 18-19.

where 93 % were from Brazil and 7 % from other 15 countries. NS Pisa did not participate at the conference in 2005.

1.4.2 Social Observatory (SO)

The Social Observatory (*Instituto Observatório Social*) is an organization that analyses and conducts researches on the behavior of enterprises (multinational, national and public enterprises) towards the fundamental rights of workers. The SO was created in 1997 as a result of the debate on the adoption of social and environmental clauses by treaties for international trade.²³ The main references SO relies on are the core conventions prescribed by the International Labour Organization (ILO)²⁴. Regarding the external environment, SO principal references are the Rio Declaration and Agenda 21 (both of 1992), the OECD Guidelines for Multinational Enterprises and the UN Global Compact. Although SO is a national organization, one of its main characteristics is the dialogue and co-operative work it has developed with international organizations such as the Norwegian Confederation of Unions LO and its participation in international networks such as the Gurn (Global Union Research Network).

SO has been the Brazilian organization at a national –not specific local- level, which has developed most regular and close contact with NS Pisa. Social Observatory main studies of NS Pisa consist of analyzing the relationships established between the mill and its union Sindipapel. Their first contact happened when SO developed a study commissioned by the Norwegian Confederation of Trade Unions (LO) of the Norwegian enterprises in Brazil (*Socioeconomic survey of Norwegian Companies in Brazil*) in 2001. It was followed by another study of solely Norske Skog Pisa (*Norske Skog Pisa*, 2002), which is a map of the company describing its structure in Brazil and the world as well as its social behavior and working relations. SO also regularly prints articles about happenings around NS Pisa

²³ SO was an initiative of CUT Brasil (*Central Única dos Trabalhadores* - Single Workers Center) in cooperation with DIEESE (Inter Union Department of Statistics and Socio-Economic Studies), CEDEC (Center for Studies of Contemporary Culture) and UNITRABALHO (Inter-University Network for Studies and Research on Work). More details at: www.observatoriosocial.org.br

on its *Multinational Company Union Network's Bulletin*. Moreover, it has available on its website additional information from the NS Corporation to NS Pisa's employees where some have been translated into Portuguese (Environmental Report 2002, Annual Report 2003 and the Agreement between ICEM and Norske Skogindustrier - the latter in Portuguese). Additionally, it has had the role of dialogue promoter among the unions of the Norwegian companies in Brazil themselves and with unionists in Norway. In November 2003 SO and LO together promoted a seminar "Work and Unionism in Norwegian Companies in Brazil". The seminar counted with the presence of union leaders of the Norwegian affiliates, members of Norwegian Unions²⁵ and LO leaders. They were able to exchange information and discuss differences in relationships between the unions and the companies in Brazil and European headquarters. Thus, SO acts as a monitoring actor on the behalf of workers and for the protection of their fundamental rights.

1.4.3 Conselho Paranaense de Cidadania Empresarial

The Business Citizenship Council of Paraná (CPCE) is a consultative and deliberative council under the Federation of the Industries of the Paraná State (FIEP), in which NS is an associate. CPCE was launched in Dezembro 2004 as an initiative from FIEP's president Rodrigo Costa da Rocha Loures. CPCE's mission is to "Contribute to the sustainable development of the society of Paraná, congregating the potentialities and capabilities of the business sector in order to execute social, cultural, environmental projects, and to promote volunteer work."²⁶ According to Caio Magri (seminar 01.07.05), Public Relations Manager of Ethos Institute, CPCE, and FIEP, is developing one of the best CSR-strategies among industrial organizations in Brazil. CPCE has developed a detailed action plan for 2005/2006. It aims to identifying the best concepts and practices within CSR, to promote capacity building through seminars and to encourage partnerships and collaboration among corporations themselves and with non-governmental organizations. CPCE's action

²⁴ More specifically the following conventions: freedom of association (nr. 87 & 135), right to organize and collective bargaining (nr.98 & 151), forced labour (nr. 29 & 105), child labour (nr. 138 & 182), race and gender discrimination (nr. 100 & 111), occupational safety and health (nr. 155, 170 & 174) and working environment (nr. 148).

²⁵ Norske Skog's employees are associated to the Norwegian United Federation of Trade Unions.

²⁶ CPCE's website: <http://www.fiepr.org.br/fiepr/cpce>

plan is supported by two committees: the Superior Council and the Management Council.

NSPisa is one the CPCE's 135 members among business community and the civil society of Paraná. Antonio Dias represents NSPisa in the Superior Council which shall meet twice a year. Its main role is to monitor and approve the action plan developed by the Management Council. NSPisa is also represented in the latter whose members shall meet once a month. I did not find direct influence from CPCE plans onto NSPisa's CSR-measures. It can be explained by the fact that CPCE's plan of action is still under development with no real implications to NSPisa yet.

Based on the above, it is of great interest to see how corporate social responsibility's practices by foreign TNCs are to contribute to positive development in a country closely involved in sustainable and developmental concerns.

1.5 Sustainable Development

The sustainable development concept was first used in the sixties by environmentalists, setting focus on the protection of the environment and ecology (Lafferty and Langhelle 1995: 15). But it was the Brundtland Commission²⁷, with the release of *Our Common Future* in 1987, that sustainable development "became a rhetorical talisman for our common present" (especially in the political arena) (ibid 1999: 1). The report attempts at elevating SD to a global ethic (WCED 1987: 308).

Brundtland's usage of the sustainability concept surpasses the original thought of SD which connected developmental ideas to solely environmental challenges. From 1987, sustainability has been used as "a social-physical-economic concept related to the level of social and individual welfare that is to be maintained and developed" (ibid: 5). Central here is the integration of the social, environmental and economic dimensions, i.e. the *triple bottom line* for SD. The definition of sustainable development presented in *Our Common Future* is the following:

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

²⁷ There were 21 members (politicians, scientists, diplomats), representing 21 countries, participating in the Brundtland Commission. Among them was Paulo Nogueira Neto, professor at the *University of São Paulo* and president of both the *Brazilian Association in Defense of Fauna and Flora* and of the *Forest Council of São Paulo* (my translation).

It contains within it two key concepts: (1) the concept of ‘needs’, in particular the needs of the world’s poor, to which overriding priority should be given; (2) the idea of limitations imposed by the state of technology and of social organisation on the environment’s ability to meet present and future needs” (WCED 1987:43).

The second key concept of SD regards the capacity of technology and social organization to influence and enhance the capacity of resource base (ibid: 42-45).²⁸ According to Adams, this idea goes beyond the concept of “physical sustainability to the socio-economic context of development”²⁹ (in Lafferty & Langhelle 1999: 6).

An inherent developmental goal of SD is “social equity” between generations (WCED 1987:43), which gives a temporal dimension to the concept. Furthermore, the Brundtland Report claims that the social equity “must logically be extended to equity within each generation” (ibid), providing a spatial dimension of the concept on national and global basis. From this perspective, Lafferty & Langhelle (1999) represented the spatial and temporal dimensions of SD in the figure bellow:

Figure 1.1 the temporal and spatial dimensions of sustainable development

		Space Dimension	
		National	Global
Time Dimension	Within the same generation	National equity within the same generation	Global equity within the same generation
	Between generations	National equity between generations	Global equity between generations

SD is “primarily a discourse of and for global society, not states” (Dryzek 1997: 134). The Brundtland’s report specifically addresses the role of the TNCs in contributing to the promotion of SD. My thesis aims to examine the *ability* of a TNC through its activities to contribute to sustainability. Hence, focus will be given to the second key concept of SD presented above. Are TNCs able to play a constructive role in the path towards sustainable development? I do not intend to give definitive answers because there is not a precise set of structure and measures on how to

²⁸ Therefore Brundtland addresses humans and human needs in the definition of SD (WCED 1987: xi)

²⁹ Brundtland’s report assesses the need of a developmental path that surpasses the maintenance of the natural system, which is the minimum requirement; characterized in the report as physical sustainability.

achieve it (ibid 1997). SD is an important conceptual framework since it represents an ambitious and overall goal that can guide development within ethical standards.³⁰ For the purposes of my work, sustainable development is granted as a superior frame for corporate social responsibility practices.

1.6 Operationalizing Corporate Social Responsibility (CSR)

An apparently simple question is: *what is CSR?* Corporate Social Responsibility (CSR) is a terminology largely used on the international agenda of authorities, companies, non-profit organizations (KOMpakt, 2000). CSR expresses the voluntary initiatives taken by corporations in their pursuit of more positive and including development. It is the viable mechanism corporations have through which they can contribute to sustainable development at large. Although CSR is a quite new terminology, its meaning is a result of people's expectations of corporations behaviour gradually developed over time (Wilson 2000). However, conflicting requirements or expectations towards TNC's responsibilities are partially due to misunderstanding of the content of CSR.

In order to make this concept more tangible I choose to work with the CSR definition presented by the Commission of the European Communities in 2002.

“CSR is behaviour by businesses over and above legal requirements, voluntarily adopted because businesses deem it to be in their long-term interest,

CSR is intrinsically linked to the concept of sustainable development: businesses need to integrate the economic, social and environmental impact in their operations;

CSR is not an optional “add-on” to business core activities – but about the way in which businesses are managed” (EU Commission 2002: 5).

Central to this definition is the understanding that CSR-practices are not an optional “add-on” to business core activities. The scope here is on whether businesses are managed in a responsible way. Therefore, according to this definition practices that are not relevant to the conducting of business activities, i.e. philanthropic works and donations, are not a constitutive of the CSR concept. “Philanthropic programme is really tangential to how a firm's *operational* behaviour impacts on society, which is the essence of CSR” (WIR 1999: 346). I call attention upon this meaning of CSR

³⁰ Lafferty & Langhelle (1999) call attention upon attempts to making the definition more operational, what contradicts with the normative scope stipulated in the Brundtland Report.

for two main reasons: (1) a clear definition provides a level playing field as a point of departure in the dialogue between private actors, civil society and governments. The understandings they have of CSR influence their dialogue whereas an unclear-definition contributes to ‘conflicting’ demands upon TNCs in one hand, and little substantial action by TNCs on the other. (2) Specifically in regard to the Brazilian context, addressing CSR as Corporate Philanthropy will be of little use once the promotion of sustainable development of the society is at aim. Brazil has had long tradition of philanthropic work comprised of donators with stronger structural, economic or political power, to receivers at the lowest levels of the society. These practices have promoted neither the development of social, intellectual nor political capital but rather widened the gap between the rich and the poor, creating long-lasting social and economic dependency.³¹ Moreover, when referring to the practice of CSR, many of my informants regard it to be ‘social actions’ (*ações sociais*) in which there is an underlying understanding of philanthropy.

My intention is not to condemn charity actions or philanthropic measures taken by corporations. A country that faces a large degree of extreme poverty among its population³², where many of them lack food and shelter, philanthropic work through the share of food, warm clothes turn to be necessary measures to any who consider themselves citizens of that community, also including enterprises. I believe it is important to stress a reliable understanding about the scope of corporation’s actions, i.e. CSR, in light of the sustainability promoted by their actions for Brazil’s development. I have chosen four CSR-measures implemented by NSPisa in Brazil, and upon which I will rely my analysis: (1) environmental improvement; (2) health, safety and working conditions; (3) protecting employees’ rights and (4) professional and educational development.

³¹ Political clientelism is a form of political favor practiced in Brazil with its roots dating back to the XIX century. It is sustained by practices of *assistencialismo* which is “action realized at the poorest layers of society by persons, governmental organizations, non-governmental organizations or enterprises with the objective to support or help, but without aspirations to transform the reality”. The idea of submission and gratitude to donors is strong in practices of *assistencialismo* (I did not find an accurate translation of the word).

³² The percentage of indigents (very poor) in 2000 was of 16.32, with the intensity of the indigence of 53.87 %. The percentage of the poor was 32.75 in 2000 (Atlas de Desenvolvimento Humano 2000).

Environmental Improvement: My first variable concerns the impact of the firm's operational activity on the external environment. Promoting environmental improvement in LDCs implies minimizing the impacts (e.g. through cleaner production) and promoting cross-border environmental management (e.g. management systems, education) (WRI 1999). For instance, the transition to cleaner production by business and industry was recognized at the Conference on Ecological Sustainable Industrial Development, held at Copenhagen in 1991 and later stressed in Chapter 30 of Agenda 21: "The concept of cleaner production implies striving for optimal efficiencies at every stage of the product life cycle". I intend to find out what NS Pisa's improvement of the environment consists of and to what extent it contributes to the promotion of sustainable development in Brazil.

Health, Safety and Working Conditions: Second, health & safety concerns encompass the protection of workers against sickness and injuries arising from their employment. Moreover, it implies strategies for preventive H&S culture. According to ILO, there is an estimate of 160 million people suffering from work-related diseases, and 270 million fatal and non-fatal work-related accidents per year (this estimate can also be calculated in financial terms representing the loss of 4% of the world's annual GDP).³³ How are the H&S and work conditions managed at NSPisa?

Protecting Employees Rights: In regard to corporation's behaviour towards employees' rights is the underlying protection of individual's expression, which is practiced at the working place through dialogue. Dialogue is advocated by ILO through the right to collective bargaining: an important instrument in order to enhance political skills, create social capital and thus, promote more equitable economic development (Aidt & Tzannatos 2002, Tørres 2004).

Professional & Educational Development: My last variable, the promotion of vocational and educational development is probably the device bringing more visible and short-term improvements to corporations (according to Wilson, 2000) and for the society in general. It strengthens intellectual capital and highly qualifies the working force, both strongly contributing to all aspects of development, social, economic and

³³ International Labour Standards in: <http://www.ilo.org/public/english/standards/norm/subject/occupational.htm>

environmental. Thus, I will describe in detail NS Pisa's performance of those four variables and discuss the extent of their contribution to sustainable development.

1.7 Analytic Framework and Methodology

Analytic framework regards the supporting structure around which my thesis is built, and that will guide me to answering my main research question: "*To what extent does Norske Skog contribute to sustainable development?*" I believe a qualitative approach is the most suitable for my investigation on NS ability to contribute to sustainable development, through CSR practices, in Brazil. There are no available standardized and systematized quantitative data on corporations' CSR practices to rely on, which also explains why a quantitative approach would not be suitable in my thesis. A qualitative research "has tended to focus on one or a small number of cases, to use intensive interviews or depth analysis of historical materials" (King et. al. 1994: 4). It requires an in-depth investigation, which is among the most suitable methods when one chooses to study a complex phenomenon "where theories are underdeveloped and concepts are vague" (Ragin et. al., 1996: 750), such as CSR. This is a case study of one transnational corporation, Norske Skog, by focusing on its ability in promoting sustainable development in one specific country. Yin defines a case study as "an empirical inquiry that: investigate a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used" (Yin, 1994:12). Case studies are down-to-earth research, which are strong in reality. In a study of a new and unclear concept such as CSR, and sustainable development, there are many contextual factors and relationships interconnected both nationally and internationally, reflecting the complexity of this phenomenon. According to Stake (1994) an investigator may have an intrinsic interest in a case, i.e. because of the case's particularity; or an instrumental interest: "when a particular case...provides insight into an issue or refinement of theory" (ibid: 237). The choice of having the Norske Skog Corporate as my case, and being able to focus on the work it develops through its affiliate in Brazil, is partially due to the intrinsic interest I have about it and to its instrumentality in providing me with insights into CSR and Sustainability.

Yin also highlights that “a major strength of case study data collection is the opportunity to use many different sources of evidence” (Yin 1994: 97). By making use of multiple sources of evidence I am able to triangulate my data and thus, ensure construct validity and reliability to my case study evidence. The empirical part of this study relies on semi-structured interviews conducted both in Brazil and in Norway. Being a Brazilian myself turned out to be an advantage in conducting fieldwork in Brazil and approaching my informants, due to the cultural knowledge I have on the society in general. Moreover, I had no language barriers conducting my interviews in Norway, since I also speak Norwegian. In addition to interviews, documents, articles, records, reports, books and statistics on the subject are used as sources of evidence. Most of the evidence was collected during my field work in Brazil, giving me an opportunity to make observations about the working place conditions, signs of impact on the environment and in the local community, which are important signs in relation to CSR and sustainability. The observation technique provides me with additional information on the local context and the phenomenon being studied, aiding my data triangulation. Moreover, I rely on different theoretical perspectives, given the lack of an appropriate theoretical approach for the study of the relations among the state, the firms and the civil society as a whole. Well established theories within International Political Economy (IPE) will give the foundation to my work. Three perspectives in Organizational Theory will shed light on my analysis, which also allows me to use the principle to theoretical triangulation (ibid). Additionally, contemporary theoretical texts will be used in order to provide me with better understanding of the paradigms related to CSR and the role of firms as an economic, social and political actor, and sustainable development.

1.7.1 Theoretical & methodological considerations

My three questions presented earlier correspond to the three levels of ‘analysis’ which will support the structure of this thesis.

1) In an attempt to answer my first research question; “*How are CSR-measures being implemented by Norske Skog in Brazil at Pisa?*” I will describe the CSR-measures implemented by Norske Skog Pisa that have been presented earlier, namely:

environmental improvement; health, safety & working conditions; protecting employees' rights and; professional & educational development. I will enlighten the content of such measures as well as on how long they have been implemented at Pisa. Moreover, I will give a brief historical description of the affiliate and the nearby region in which it is located in order to contextualize NS in Brazil.

My primary sources of information on the CSR-measures implemented at NS Pisa were gathered through interviews conducted in Brazil and in Norway, the latter at Norske Skog Headquarters. Making use of interviews as an investigation device allows for an open interaction between the informants and the investigator, which is one of the traits of a qualitative study (Grønmo: 1996). Before leaving to my field work, I prepared a set of questions to guide me during my interviews, which allowed me to conduct semi-structured interviews with some elements of open-ended and focused interviews (Yin 1994).³⁴ I based myself on the same set of questions to all my interviewees so that I could get different points of view on the same topics, helping me to triangulate the information I received. Being aware about the difference between “why” and “how” questions, helped me to fulfil my needs for my line of inquiry at the same time as it did not create defensiveness from my interviewees. I did not have the opportunity to choose all my informants such as the ones from Norwegian Corporation in Brazil and in Norway, and at the labour union. However, it turned out that they satisfied very well the three requirements proposed by Rubin & Rubin (1995: 66) leaving no room for doubt on their credibility.³⁵ All my informants were very willing to talk to me. I used recording devices during my interviews in order to get precisely what was said, which has been transcribed. Such transcriptions are useful devices in case investigators wish to access them (Yin 1994). None of my informants have hesitated about being recorded. I also had the opportunity to make follow-up interviews via e-mail with most of them. I have also gathered supplementary information on NS Pisa's CSR-measures through secondary sources of evidence both in Norway and during my field work in Brazil. Some of my secondary sources provide me with information on Norske Skog such as archival

³⁴

I had also the opportunity to have some few informal interviews while doing my observations.

records, organizational magazines, brochures and articles and studies conducted by governmental institutions, academics, NGOs and the Norwegian Corporation itself. I had the opportunity to collect complementary sources from Brazilian institutions and NGOs after my return due to valuable database material available on their websites. Receiving documentation from different sources gives me different perspectives on the phenomenon studied and helps me accessing the question of impartiality and credibility of my sources of information, especially in regard to documents produced by Norske Skog. In order to ensure validity and reliability an investigator must be aware that each source is complementary to the others and, as Yin highlights, “no single source has a complete advantage over all the others” (ibid: 85). Therefore I chose to use interviews and observations aside documents and archival records in my research.

2) In order to answer my second research question, “*Which factors are influencing Norske Skog’s implementation of CSR-measures at Pisa?*” I will focus on the forces driving NS Pisa’s CSR- measures chosen in this thesis. The gathering of empirical information on such factors corresponds to the sources of evidence I just described above. Two levels of analysis will be conducted in this section. First, I will focus on the ‘external’ causal explanation for the implementation of such CSR-measures by the corporation. It will be enlightened by theoretical perspectives on corporations’ behaviour with external actors (Hadlock (1994); Bendell & Murphy (1999); Zadek (2004) and others). Environmental deterministic perspective in organizational theory will also enlighten my analysis in relation to external pressures upon the TNC. These theoretical approaches will be a useful device in explaining the relationships between the TNC and factors/actors drawn in my model, i.e. local business environment, relationships to local labour union and to the Brazilian government. How dominant are the influences exerted by local actors on the CSR-measures implemented by NS Pisa?

A second level of analysis will provide me with the ‘corporation’s internal explanation’ to the phenomenon. I will rely on varying approaches within

³⁵ Informants should have knowledge on the subject, be willing to talk and represent different perspectives (ibid).

organizational theory, i.e. the rationalistic interpretation, the institutional-cultural interpretation and the environmental deterministic perspective. These interpretations will enlighten the formal and informal structure of the corporation, as well as the internal communication pathway between the affiliated and the parent corporation. CSR-measures that are likely to have existed previous to the purchase as well as after it, may also bring about relevant patterns of information. Have norms and values influenced NS CSR-measures? Moreover, are the CSR-measures implemented by NS Pisa initiatives heavily transmitted from the headquarters to its affiliate, as Hadlock (1994) has claimed? Both level of analysis will provide me with macro and micro explanations about the CSR-measures implemented at NS Pisa.

3) In an attempt to answer my third research question, “*Are CSR-measures the best means through which TNCs contribute to Sustainable Development in Brazil?*” I will rely on the CSR-measures presented in chapter three and on the analysis drawn in chapter four. Sources of evidence from documents such as books, reports, articles and statistics produced by independent organizations and institutions and academics supplied me with information on CSR and Sustainable Development. Additionally, I was able to choose some informants to interview on this subject, and my selection was based on their knowledge and on the different perspectives and points of view they have on it (Rubin & Rubin 1995:66). However, one of those interviews had to be conducted through e-mail after my return due to lack of time. I also had the opportunity to participate in Ethos international conference on “*Partnerships for a Sustainable Society*”, which gave me valuable information about the CSR movement in Brazil and on the promotion of sustainability in the country. Some important questions I will attempt to answer are: to what extent CSR-measures described in chapter three are most suitable to promoting SD in Brazil? The question on whether CSR are “best means” opens for alternatives means to the promotion of SD. Central in this matter is to enlighten the existence of a scenario of win-win situations or of win-lose situations towards SD in Brazil, which I aim to do through my case study.

1.7.2 Fieldwork considerations

My fieldwork took place from the beginning of June to the end of July 2005. I went to different cities in order to collect the evidence to my study. My initial proposition was to draw a comparative study on a Brazilian³⁶ and a Norwegian TNC. As a result of that I collected relevant data on the Brazilian TNC during my fieldwork as well. In spite of the fact that I ended up focusing on the CSR-measures developed by the Norwegian Norske Skog, the evidence collected about the Brazilian TNC has turned out to be rather valuable to my study. I strongly believe that I will be able to reach more credible conclusions especially in regard to CSR's contribution to SD in Brazil than I would otherwise have had.

One of the challenges I had during my field work is the unclear understanding most of my informants have about what CSR is. There is a tendency to consider CSR to be more than it actually encompasses. For most of my informants CSR consists of corporations' practices from philanthropy and charity to complying with legal requirements. For instance, for one of my informants the compliance to Brazilian legal norms is also a way of implementing CSR. "[The NS Corporate] has a global policy; nevertheless it is adapted to particular items, legislation, uses and customs of the region". Umezo's statement is supported by his understanding that some norms prescribed in the Brazilian work legislation also reflect healthy concerns. His approach to the CSR concept might be partially explained by his educational background, since Umezo is a lawyer. My main challenge was to process the information I received so that it provides me with accurate evidence, able to enlighten my research question. This is a question of *concept validity*, which occurs when "the operational definition agrees with the theoretical" (Hellevik 1991). Therefore, limiting the theoretical scope of CSR and thus operationalizing it into four different variables allows me to process my data in a more valid manner. Since my informant's information (operationalization) on CSR exceeds my theoretical definition of it, I did not have problems in reaching a conclusion, which usually happens when there is a lack of data foundation.

1.8 Thesis outline

In chapter two I will present the theoretical frameworks which my analysis will be founded on. I shall also make some methodological references in regard to my fieldwork and sources of evidence. In chapter three a description will be given of the CSR-measures implemented by my TNC in Brazil. I will rely on my findings presented in Chapter three in order to answer my second research question in chapter four, i.e. explaining the forces driving the CSR-measures implemented at NS Pisa. Based on the ‘analysis’ provided in both previous chapters, I will answer the question on whether CSR-measures are the best means through which TNCs may contribute to sustainable development in chapter 5. Finally in chapter six, I will conclude my thesis in an attempt to answer my main research question.

³⁶ The Brazilian TNC is *Companhia Vale do Rio Doce* (CVRD) and I was able to visit one of their affiliates based in Açailândia, I northern Brazil. CVRD also has an affiliate, RDMN, in Mo I Rana, in Norway.

2. Theoretical Approaches

2.1 Introduction

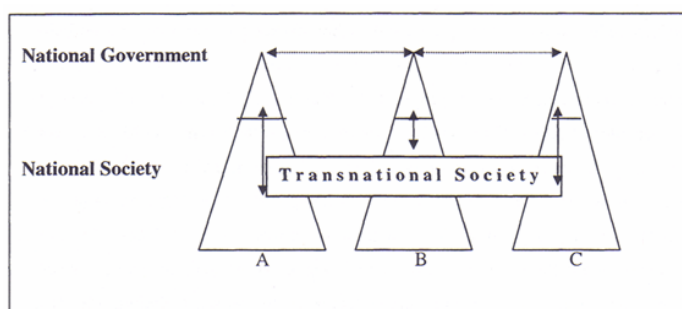
In this chapter I will present an overview of the theoretical approaches and their relevance to the analytical framework of this thesis. I will start with the presentation of the development of theories within international political economy (IPE). IPE opens for the existence of non-state actors in the transnational arena by placing TNCs as relevant political actors. After that I will present two theoretical perspectives that will support my analysis. The ‘external perspective’ will help me to interpret the relationships shaping the CSR-measures which are implemented by NS in Brazil. Following that, I will present the ‘internal perspective’ which will be enlightened by the three perspectives in organizational theory. Focus will be given to the corporation’s internal structure and the internal relationship between the parent corporation and the affiliated in relation to the CSR-measures implemented at Pisa.

2.2 International Political Economy and TNCs

2.2.1 Transnational Society and Kaiser’s Model

The ideas of interdependence, implying that interdependence necessarily involves closer interaction between governments (states) and firms, was suggested by Karl Kaiser (1971) more than thirty years ago. In his criticisms of the then-current discussion of interdependence, Kaiser points specifically to the asymmetry of government power in transnational politics. In order to present his arguments, Kaiser based himself on the works of Aron (1966) who had first introduced the concept of ‘transnational society’ to international relations. Aron’s transnational society indicates in that states’ options are affected by development and flow of ideas and beliefs across borders and by non-national organizations (Stopford & Strange). Kaiser then added Perroxx’s ideas on dominant economies from 1950 to it. His main concern was to illustrate the power and the influence of TNCs in LDCs (Ruud, 2001).

Figure 2.1 Transnational politics as perceived by Karl Kaiser



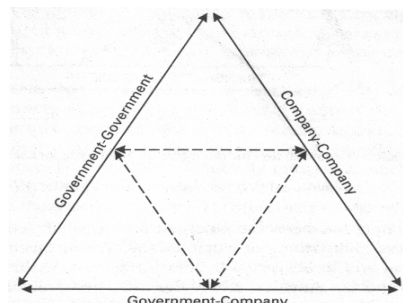
Kaiser's views of transnational politics, and the challenges it imposes to state actors, is illustrated in the model he developed as shown above. Kaiser challenges the traditional state-centric paradigm of governance by the existence of a transnational society. The top-down modes of governance within each country -as in A, B and C- (represented by the downward arrows) is well distinguished from the international political interaction (represented by the dotted lines). They are now challenged by bottom up processes of interaction, i.e., it is challenged by business and international organizations which now are able to influence the decision making of several governments simultaneously. However, according to Stopford & Strange (1991) the Kaiser omits the nature of the interactions within his 'transnational society', especially within TNCs, and how these affect the power and the options of states.

2.2.2 Triangular Diplomacy and Structural Power

Departing from that, Stopford & Strange suggested an extension to Kaiser's model in which a third dimension to the phenomenon is added, illustrating more precisely the further limits to the power of individual nation states. The old bipolar game of diplomacy has now been replaced by a set of more complex and extensive relationships and negotiations. New players have joined them, such as executives of firms, at both local and multinational levels. Both bilateral and multilateral negotiations, of both formal and informal nature, are what all players are involved in now. "No longer can national boundaries define the rules, for the game is now one where negotiation and action is carried out on a triangular basis" (Stopford &

Strange, 1991:21). The bargaining process³⁷ between nation states and TNCs has become a complex triad of relationships called the ‘triangular diplomacy’.

Figure 2.2 International relations as perceived by Stopford and Strange



The diplomatic triangle represents three sides of relationships, i.e. government-government, company-company and government-company, though all of them are interconnected. The three sides of the triangle represents the asymmetry in the international political economy observed in the -over- last two decades. The bargaining processes are complex enough to include elements of both conflict and cooperation making the choices of partners now a critical step in this asymmetrical process. The balance of power is now affected by the state-firm bargaining which has been characterized to be the nexus of international treaties (Stopford & Strange, 1991). Thus, “the lasting effectiveness of the deal is determined by the success or failure of bargaining on all three sides of the triangle...If one looks at only one side of the triangle, one misses important factors” (ibid.: 23).

According to Stopford & Strange (1991) and Strange (1994), corporations must be approached as equally relevant political actors as states, since they also have structural power. It better reflects the actual competitive games between states and firms. In sum, it “confers the power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises” (Strange 1994: 25).

³⁷ Keohane & Nye (1972) has concluded that the high costs that may be caused by direct confrontation (whether one wins or loses) have instigated the process of bargaining and the formation of coalitions and partnerships to be a more fruitful alternative.

The new international diplomacy proposed by Stopford & Strange has overlooked the role played by INGOs and civil organizations within the complex interdependent transnational relations.³⁸ Risse-Kappen (1995) characterizes INGOs (together with MNCs) to be the most highly institutionalized³⁹ forms of transnational relations⁴⁰ though he acknowledges that it alone does not determine the political impact of transnational organizations. The success or failure of the political impact caused by transnational actors depends more upon their strategies, and power to persuade (which can also be supported by Strange's definition of structural power described above), than the properties they possess. The contributions presented above have emphasized the role of TNCs and civil society in transnational relations. They have focused on the ability of this transnational society to influence the power and the behaviour of states. But how has external actors (state and the civil society) and contextual factors influenced the behaviour of TNCs?

2.3 'External' theoretical perspective

The contribution from IPE (Stopford & Strange 1991, Strange 1994 and Kaiser 1971), which approaches corporations as autonomous political actors, opens for the study of TNCs as individual actors. This supports my approach by putting TNCs at the centre of my analysis. In the sense that CSR are initiatives implemented by corporations themselves, it will be relevant to study how the environment surrounding a TNC is influencing its practices. According to Hadlock (1994) "a greater public and governmental awareness of the importance of environment protection [and social conditions for this matter] have caused industrial firms to be more careful than they had traditionally been in this regard" (ibid: 149). Hadlock (1994) had focused mainly on the ability of external state and non-state actors, both at national and transnational levels, to influence the environmental management of TNCs in developing countries. Based on Hadlock, the Brazilian government will be approached in this thesis as a

³⁸ According to Cooley and Ron (2002), the number of INGO grew from 1000 to 5000 between 1960 and 1996.

³⁹ Their degree of institutionalization is based on Keohane's definition of institutions. "Highly institutionalized actors have bureaucratic structures with explicit rules and specific role assignments to individuals or groups working inside the organization" (Risse-Kappen, 1995: 10).

⁴⁰ Risse-Kappen's definition of transnational relations is slightly modified by the original definition of Kaiser (1969). Transnational relations are "regular interactions across national boundaries when at least one actor is a non-state agent or does not operate on behalf of a national government or an intergovernmental organization" (Risse-Kappen, 1995: 3).

political actor by providing regulatory control mechanisms onto the TNC's operational activities. Hadlock states that ineffective regulatory structures, the lack of trained personnel, and regulation enforcement in developing countries explain why the forces driving environmental management (and CSR for this matter) are still provided by the parent corporation. Hadlock also emphasizes that the actual measures taken by TNCs may vary considerably from country to country, "depending on such factors as economic strength, cultural heritage, geopolitical affiliation, and trading and investment partner" (ibid 149). This opens for a debate on the institutional factors surrounding a TNC in a developing country. Therefore, the environmental-deterministic perspective (more in section 2.4.3) of organization theory will also help me to explain the influences of external local factors on the TNC. This perspective presupposes the corporation's adaptation to social pressures and needs by the social environment surrounding them (Selznick 1966). Moreover, Bendell (2000) has focused on the relations between NGOs (and civil society) and corporations, where such cooperation may vary from close collaboration to no collaboration at all. He is more engaged in showing that their relations have changed from "strongly antagonistic to the strangely collaborative" (ibid:15). Zadek & Forstater (1999) and Bendell & Murphy (1999) make reference to the "voluntary" initiatives of corporations as their response to external demands from civil institutions. Bendell & Murphy (1999) do not believe "that all the corporate environmental initiatives [and social for that matter] which are not demanded by governments are 'voluntary'" (ibid: 45). Simon Zadek's (2004) illustrates in his article "*The Five Steps of Corporate Responsibility*" five distinctive stages most organizations pass through as they move towards CSR; the *defensive* stage, the *compliance* stage, the *managerial* stage, the *strategic* stage and at last the *civil* stage. He states that "in the final *civil* stage, companies promote collective action to address society's concerns. Sometimes this is linked directly to strategy."⁴¹ Gradually as corporations are influenced by external pressures they assume different CSR-roles. Zadek and Forstater (1999) place "socially responsible" corporations in three categories: *market leaders*, *niche players*

⁴¹ In Harvard Business School, Working Knowledge's website: <http://hbswk.hbs.edu/item.jhtml?id=4573&t=leadership>

and *followers*. Market leader are those corporations that are both financially successful and innovative in regard to developing CSR strategies and measures. Niche players carve out a position in a larger market based on ethical standards. Followers are “companies which are financially successful principally through following the markets created by other, leadership, companies (ibid: 74).

I have chosen to make an analysis about the external influences exerted upon a TNC’s affiliate at local level, shaping the development of CSR-measures which are implemented in a developing country. The focus I give on the TNC’s relation to the Brazilian context is also supported by Hadlock’s (1994) article. The Brazilian government will be assessed by its capability in providing an efficient regulative framework or, in the highest level, through an integrative voluntary process with the corporation for the promotion of CSR-measures. I will also assess the influences exerted from the local labor union and the local business environment onto the TNC. By enlightening the relationship between NS and external actors, I will be also able to assess the role taken by the corporation in the CSR-movement: Does NS take a proactive role as leaders or a more reactive role as follower? The ‘external’ analytical perspective will be presented in chapter four.

2.4 ‘Internal’ theoretical perspective

2.4.1 The rationalistic interpretation

The rationalistic interpretation of an organization’s “life cycle” as well as its approach to it is strongly oriented by an “instrumental perspective” (“verktøyperpektivet”) derived from the rational-instrumental tradition within organizational theory (Røvik, 1998: 31). Organizational interpretations provided by the rationalistic-economic paradigm are one of the dominant perspectives within the social science in general and organizational theory in particular. The rationalistic-instrumental perspective states that organizations are solely a device for effective production and acquisition of measures, resolutions, services and goods. An organization’s legitimacy and survival depends upon its capacity to function effectively. Effectiveness can in a large degree be reached when the structure and the shape of an organization is well planned. An organization can and should be designed

and re-designed by its management all depending on the goals it pursues from time to time (Røvik 1998: 32). Its management has the freedom to make changes and it will attempt to act as rational as possible in order to forecast the consequences of the procedures it proposes (ibid.). Therefore knowledge and awareness over the procedures available are important tools to have at hand so that the choices made by the management reflect procedures which work in practice. Moreover, the rationalistic interpretations see organizations as rational and unitary actors in the sense that organizations are instruments in the hands of their management. TNCs would act strategically, with rational cost/benefit calculation, based on the goals they pursue, i.e., they will act in accordance with what James G. March calls “the logic of consequences” (1994:2). The logic of consequence is driven by rational theories of choice and it assumes decision processes to be *consequential* – in the sense that alternative choices are interpreted based on their expected consequences- and *preference-based* – in the sense that expected consequences of ones actions serves the preferences of the decision maker (ibid.). It is important to bear in mind that the preferences of a decision maker is shaped by forces that go beyond the concern of the choice situation one is involved in (Peters, 2001) and therefore is exogenous to the decision process. In this sense, the structure of the organization is an important factor in defining organizational behaviour (Antonsen and Jørgensen 2000: 21-22). The formal structures of organizations such as organizations’ plans decide the practical behaviour of decision makers. By changing the organization’s structures, the management can change the behaviour of the organization, having in mind the effective achievement of their goals and interests.

The rationalistic perspective will be a valuable device in an attempt to explain NS CSR-measures. Were NS motivations to implement its CSR-measures a result of rationalist consequential calculations? Are such measures instruments in the hands of decision makers for the acquisition of financial gains?

2.4.2 Institutional-cultural interpretations

A very important issue for institutional theory is to pinpoint accurately what an institution is made of in contrast to a 'formal' organization.⁴² According to Selznick an organization is viewed as an institution when it is filled with values and informal norms transcending the formal tasks it has to fulfil (Selznick 1966 and see also Peters 2001). An institution goes beyond the narrower role of a designed technical instrument for mobilizing human resources and directing them to the acquisition of prescribed goals.

The new institutional theory emphasizes organizational actions and changes as guided by norms, values and traditions, i.e. "actions are matched to situations by means of rules organized into identities" (March, 1994: 57). It came as a reaction to the rational perspective and distinguishes from it in the sense that "neither preferences as they are normally conceived nor expectations of future consequences [of their actions] enter directly into the calculus" (ibid.). The key idea here is the fulfilment (satisfaction) of identities. A decision maker follows the rules that are appropriate to the situation in which they find themselves (ibid.: 59). This process of decision making is caught into a different logic of action, central to the normative version of the new institutionalism⁴³, in which the institution expresses its "logic of appropriateness" (March 1994). Here the identities, values, routines and informal norms will guide people's actions within the organization as much as instrumental calculations. Changes will happen without problems as long as they don't go against the organization's logic of appropriateness, i.e. as long as they are appropriate or convenient. The rule following in the logic of appropriateness is not a random or arbitrary process. This is as complicated as it is embedded in reasoning and systematisation though it is a quite different process of rational analysis (ibid.).

Moreover, an institutionalized organization is considered to be autonomous, as opposed to an instrument (Gjølberg and Ruud, 2005). Individuals selected to work in an organization are provided of pre-existing identities and rules though organizations

⁴² Adding the adjective 'formal' to organization provides a more strict definition of it whereas institution is granted with a more culturally based definition (Peters, 2001: 31).

also have their own identity. According to March and Olsen (1989), the logic of appropriateness reflects an integrative political process within organizations where individuals' participation in integrative organizations relies on their commitment or acceptance of the legitimate goals of an institution for their individual commitment (in Peters, 2001: 27).⁴⁴ The legitimacy given to an institution may even contribute to an individual's violation of their own interests (March & Olsen, 1989). Institutions define their own identity, train individuals in them and socialize them to adopt the identities as their own (March, 1994: 60). People learn the appropriate rules of the diverse roles they have, thus the decisions they make and their preferences become largely shaped by their involvement with institutions (see also Peters, 2001).⁴⁵ Moreover, the influences exerted by institutions on their participants also supply them with meanings that are taken in use in other arenas of their life (ibid.).

Many institutions leave areas of behaviour open to the interpretation of individuals, where in turn, monitoring and assessment measures will be taken by institutions so that the appropriate choices are not jeopardized. In this sense, "choices will remain within the parameters established by the values of their institutions" (Peters, 2001: 29). Selznick (1966) has pointed out that "to institutionalize is to *infuse with value*" (ibid.: 17) which in turn makes changes *expandable*. It becomes difficult to change an organization by only changing its formal structure (Gjølberg, 2003). This also explains why the emergence of new ideas can be met with resistance within organizations, since people may feel threatened by them (Selznick 1966): "...there is resistance to change. People feel a sense of personal loss; the 'identity' of the group or community seems somehow to be violated..." (ibid: 19).

Some questions emerge based on the institutional-cultural interpretation of organizations: What defines/determines the organization identity of NS Pisa? Is the Norwegian corporation filled with values and informal norms? Are NS CSR-measures at Pisa guided by norms, values and traditions? Furthermore, has the

⁴³ According to Peters, the meaning of normative in 'normative institutionalism' is viewed in the sense that actors reflect more closely the values of the institutions with which they are associated (Peters, 2001: 26).

⁴⁴ On the other hand, the aggregative political process regards the involvement of individuals in the politics as reason for material and personal gain which reflects a contractual form for organizations (ibid.: 27).

relationship between the parent corporation and the affiliate in relation to CSR-measures created internal conflicts in the organization? The new institutional theory may be of particular interest for the analyses of CSR-practices and the existence of changes, or better, *no* changes in the practices of NS Pisa in Brazil.

2.4.3 Environmental Deterministic Perspective

When referring to an institutional actor one must bear in mind both the internal social world of organizations, i.e. their informal structure (as mentioned above); and the external pressures to which institutions respond to and change accordingly. According to Selznick, one way of capturing the institutional role of an organization is by asking “what underlying need in the larger community is filled by the organization or by some of its practices” (Selznick, 1966: 6).

Contrary to the rationalistic interpretation -with cost/benefits calculations- this perspective takes into account the external demands organizations are exposed to. According to Brunsson (1989), one of the characteristics of capitalistic industrialized societies is the emergence of a strong ‘bargaining economy’. The success of industries and corporations will depend upon the extensive contacts they establish with the world business environment, politicians and interest-organizations. Nils Brunsson calls “The logic of fashion” (1989) when organizations become vulnerable to the environment surrounding them and to the demands they are pressured to give. This can be explained in a large degree to the institutional environment organizations are embedded in. Scott & Meyer define institutional environments as: “those characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy” (in Powell & DiMaggio, 1991: 123). These requirements may come from different sources, i.e. from regulatory agencies to a generalized belief system. Both way, laws are proliferating and fashions are growing changeable and influential (Brunsson, 1989: 6). The institutional environment judges organizations on its structures, processes and

⁴⁵ March (1994: 68) and Selznick (1966: 8) outline the problem of ‘multiple identity’ or ‘many-faceted persons’, respectively, in the sense that people adjust their actions to their assigned roles.

ideologies, rather than on its products.⁴⁶ External ideas, myths and images become determinant factors on companies' behaviour and choices.

But the norms from the institutional environment may not contribute to or encompass conditions for efficiency in organizations' technical processes. As a result of that, companies may respond to external pressures by doing *decoupling* or *double talk*. Two sets of organizational structures are then created, one for the technical environmental norms and the other for the norms stemming from institutional environment. Here a company's external communication will reflect the external pressures it faces, whilst the communication used internally in the company will remain unchanged. Thus, two different ideologies will be used for external and internal communication.

"The separation of the formal and informal organizations, the rituals and the double talk are often important and even necessary ingredients in any modern organization that wants to act according to current demands for rationality, decency and fairness, while also efficiently generating coordinated action" (ibid.:7).

This can be explained by the fact that both the technical demands and the institutional demands may be difficult or impossible to combine due to the inconsistency or contradiction between them. Moreover, opting for one or another may yield conflicts with either of the environments, which may turn out to be both expensive and inconvenient. Thus, an organization must be aware that external acceptance is of relevant importance for organizational survival regardless of whether values are effective or rational to the achievement of its goals. Similarly, NS's *transnational* internal structure can be enlightened the existence of "double standards" between the North and the South (Bendell & Murphy 1999). One of the preconditions to partnership (collaboration), and which is relevant in this thesis, is the "proliferation of North-South "double standards" in corporate, social and environmental policies and programmes" (ibid 1999: 35).

Are the CSR-measures implemented at Pisa influenced by the social environment surrounding the corporation? Does NS practice "double talk" in relation

⁴⁶ According to Scott & Meyer organizations have both an institutional and a technical environment. The technical environment an organization is evaluated and supported by based on its products and results and on the effectiveness of its

to the CSR-measures implemented in Brazil? Do they correspond to the internal structure and communication of the corporation? Or are external values irrelevant to the development of the corporations' activities? By presenting the internal routines and relationship between the parent corporation and the affiliate, and by focusing on the measures implemented in Brazil, I will be able to enlighten if there is signs of "double standards" within NS Corporate.

production system. Although these two environments are somewhat negatively correlated, they can and do coexist (in Powell & DiMaggio, 1991, see also Brunsson 1989).

3. CSR measures at Norske Skog Pisa

3.1 Introduction

Norske Skog Pisa is located in Jaguariaíva, a community of 34 000 inhabitants (IBGE 2005), in the north of the state of Paraná, south Brazil. Paraná is the sixth most populated state (5,63% of Brazilian population) and has the fifth highest GDP in Brazil. The capital of Paraná, Curitiba, has 1, 7 million people in 2005 (ibid). In order to visit the mill, I had to travel by buss for 4 ½ hours from Curitiba. Moreover, I questioned myself why someone decided to locate the mill in such a small community, 250 km away from Curitiba. I will start this chapter by contextualizing NS Pisa in Brazil in addition to explain how the local company became part of a transnational corporation. Following that I will give a brief overview on the NS developmental strategy at Pisa. In the last section of this chapter I will provide a detailed presentation of the CSR-measures implemented at NS Pisa.

3.2 Developing the paper industry in Jaguariaíva

According to NS Pisa's Human Resources Manager Hissashi Umezu, the northern region of Paraná was very poor. Most of it was composed of a sandy soil which made it difficult to develop agricultural activities or animal husbandry. Although the sedimentary formation of the soil was not suitable to agriculture, it showed to be prosperous for forest plantations. One developmental strategy the Brazilian government had in the 1960s was to promote reforestation in the region. It launched fiscal incentives to those wishing to reforest the area by making their investment tax deductible. According to Umezu, many people and firms made use of this system in order to maximize their tax returns at the same time as they sought to gain with the investment: "...I will invest now, and in the future I will usufruct the profits from the forests." Therefore, many investors in forest plantations settled in the region more than 40 years ago.⁴⁷ The large areas of reforestation, which extend through 10 municipalities, redefined the region's vocation (SO 2002). According to Umezu, the decision to locate Pisa in Jaguariaíva was taken based on the reforestation tradition of

⁴⁷ Paraná is among the three states with largest plantation areas in the country (along with São Paulo and Bahia). Moreover, Paraná counts alone for 42 % of all pine plantations in Brazil

the region (Pisa started its production activity for over 20 years ago). Otherwise, the factory could have been built closer to Curitiba.

3.3 Becoming Norske Skog Pisa LTDA

The originally PISA - Papel de Imprensa SA was founded in 1979 by Holding Companhia Paranaprint de Empreendimentos Florestais, and the partners were two large Brazilian newspapers: O Estado de São Paulo and Jornal do Brasil. Construction began at the factory in 1982 with operational activities starting in 1985. In 1988 a group of New Zealand, the Fletcher Challenge Ltda (FCL) also became a shareholder in PISA.⁴⁸ In 2000 the FCL group bought the shares of both O Estado de São Paulo group and BNDESPAR's⁴⁹ selling it further to NS. NS acquired PISA when the corporation bought the FCL group with all its unities worldwide.⁵⁰ The acquisition of PISA was a result of NS' strategy to expand globally combined with its interest in Brazil's attractive newsprint market. The unity in Jaguariaíva was under Norske Skog's administration by January 1st, 2001 (Umezu [interview]).

Norske Skog Pisa operates with one paper machine (PM1) with an annual production capacity of 185,000 tonnes of newsprint (it produced 172 000 tonnes in 2005 –Annual Report 2005). NS Pisa is not solely the largest firm in Jaguariaíva but also the only newsprint producer in Brazil. The Brazilian newsprint market consumed 522,000 tonnes in 2001 (ECCIB 2003). Hence, NS Pisa's production covers barely one third of the market's demands. Everything which is produced by NS Pisa is absorbed by the Brazilian market. The remaining two thirds has to be imported by Brazilian buyers from the international market - including Norske Skog's own newsprint production from Europe.⁵¹

At the time Norske Skog bought PISA, the firm owned productive forests of primarily southern pine, namely Loblolly Pine - *Pinus Taeda*, under the Pisa Florestal SA. The Pisa Florestal was responsible for the management, plantation, the cutting

⁴⁸ In spite of the fact that FCL was a global corporation, it did not exert influence on PISA's activities developed in Jaguariaíva, Brazil.

⁴⁹ BNDESPAR (BNDES Participação) is a subsidiary of BNDES (Banco Nacional de Desenvolvimento Econômico e Social), the Brazilian national development- and investment bank. Its function is to participate, as a transitory and minority shareholder, in companies with developmental projects which are considered of being priorities. More in: <http://www.bndes.gov.br>

⁵⁰ FCL's purchase by NS implied in NS's acquisition of the paper mills in Chile, Australasia and Canada besides Brazil.

down of pine and, finally, the production of wooden blocks.⁵² The NS corporate decided to sell its forest properties in order to concentrate on the production of magazine paper and newsprint.⁵³ In connection with the sale, which was concluded in December 2001, long-term agreements covering the supply of wood to the mill were also reached.⁵⁴ Umezu stressed that today NS Pisa buys 100% of the wood needed in the production of newsprint. Moreover, the maturation time of pines in Brazil is of 11 to 12 years, which is much shorter than Europe's 30 to 40 years. It consolidates the Brazilian comparative advantages which also explain NS interest in Brazil.

There are 323 employees working for NS Pisa and the Regional Office per 31.12.2005. Additionally, NS Pisa has 25 contracted employees working among others on security and civil maintenance services. 25 of those 348 are female, including the two female employees in the executive management⁵⁵. Two employees have a part time employment. According to Umezu (interview), 284 are covered by trade unions and collective bargaining.

3.3.1 Constructing a new PM2 at NS Pisa?

NS wishes to construct a second newsprint machine (PM2) at the NS Pisa site. A new PM2 would add approximately 415,000 tonnes of newsprint to the current production; hence 600,000 tonnes would be produced annually by NS Pisa. A new PM2 will require investments of approx US\$500 million. According to Stensaas, it will provide approx 150 direct- and 1,000 indirect employments⁵⁶ in the region.

NS has already concluded preliminary and main studies regarding the possible construction of PM2 (Annual Report 2004). However, it decided, in September 2005, to postpone any deliberation regarding the investment in the Brazilian territory, due

⁵¹ NS exported 100,000 tonnes of newsprint from Europe to South America in 2005 (Annual Report 2005).

⁵² The total forest property accounted 102,000 hectares, in which 56,000 hectares was intensively managed and planted to produce pulpwood. The annual harvesting was of approximately 1.4 cubic meters.

⁵³ The decision to sell forest plantations increases the comparative advantages of a paper & cellulose company. Focusing on industrial operations increases its competitiveness, whereas the time of maturation of trees, i.e. from planting to cut, implies clear differential costs (ECCIB 2003: 3).

⁵⁴ Long-term delivery agreement protects NS Pisa against the effect of rising demand for wood. "Demands for wood is rising in Latin America because of substantial investment in the chemical pulp industry" (Annual Report 2005: 25).

⁵⁵ There was one female employee working at the executive management in 2004 (Annual Report 2005).

⁵⁶ Unemployment rate in Brazil was 9.7 in 2003, and in Paraná state was 7.2 the same year (IDB 2004). In: <http://tabnet.datasus.gov.br/cgi/ibd2004/b06.htm>

to the tax regime in Brazil for domestic production of newsprint. The tax reform was passed at the end of December 2005, favouring NS conditions for investment. The decision on whether to invest or not will be taken in 2006 (Stensaas [interview]).

3.4 NS Pisa's CSR-measures

3.4.1 Environmental Improvement

One of NS Pisa most significant environmental accomplishments is the acquisition of the International Environmental management standard ISO 14001 (which is the first norm in the ISO 14000 family). ISO 14001 is a voluntary initiative which needs third part certification (as the FSC certification of the Brazilian plantations). NS Pisa was certified with ISO 14001 in the fourth quarter of 2004.⁵⁷ ISO 14001 is the most recognized and used framework of Environmental Management Systems (EMS). Environmental management can be understood as “what the organization does to minimize harmful effects on the environment caused by its activities, and continually to improve its environmental performance.”⁵⁸ ISO 14001 helps organizations to manage the impacts of their activities. It specifies the requirements necessary in form of routines and procedures so that organizations can pursue effective environmental work. Besides controlling their environmental impacts, ISO 14001 helps corporations to set targets so that continuous performance improvements can be achieved.

Umezu expresses the importance of the mill's acquisition of ISO 14001 and furthermore, emphasizes the consequences it brings with it. He is aware that the ISO 14001 implies rules and regulations and that, in order to maintain this certification the mill must be under a constant process of verification and assessment. In Umezu's own words, one “must hinder all non-conformities”. Thus, openness becomes a requirement to those willing to maintain such certification, which is also extended to other actors influencing and being influenced by its activities as well.

⁵⁷ In: *The ISO Survey of Certifications* of 2004. By the end of 2004 90569 organizations in 127 countries were certified with ISO 14001 (37% more certifications and 14 more countries than the previous year). Also in <http://www.iso.org/iso/en/commcentre/pressreleases/2005/Ref967.html> (BIBLIOGRAPHY)

⁵⁸ In ISO website: <http://www.iso.org/iso/en/aboutiso/introduction/index.html#top>

NS Pisa is surrounded by its raw-material suppliers within a radius of 150 Km. NS Pisa does not buy wood from native forests, only from forest plantations.⁵⁹ At the beginning of 2002, the plantations supplying wood to NS Pisa were certified by the Forest Stewardship Council (FSC).⁶⁰ FSC is an international network aiming to promote responsible management of the forests in the world. Although it sets international standards for the responsible management of forests, “it accredits independent third party organizations who can certify forest managers and forest product producers to FSC standards”.⁶¹ From 77% to 91.5%⁶² of the raw material supplying NS Pisa comes from certified forests. Thus, the FSC certification of the Brazilian plantations is a way of ensuring that most of the wood supplying NS Pisa comes from certified forest/plantations.

NS Pisa has developed its own Environmental Policy with clear objectives governing the mill locally. It came into force in April 2002. Additionally, Umezu emphasizes that when making reference to environmental measures, he includes both the ecological and social measures regarding the mill’s activities. In sum, it addresses the respect to legal and corporate requirement and human being, the efficient use of natural resources, prevention of accidents, the promotion of capacity building and open dialogue with stakeholders. NS Pisa Environmental Policy can also be seen in context with health and safety concerns and CSR.

My visit to NS Pisa also revealed another environmental practice: there are recycling garbage cans for glass & metal, plastic, paper and organics spread throughout the mill at hand for all employees. Moreover, the infrastructure is in a good condition and very well organized, contributing towards a satisfactory and safe working environment.

3.4.2 Health, Safety & Working Conditions

Norske Skog Pisa is one of few NS mills to acquire the OHSAS 18001 certification. OHSAS 18001 is an international –voluntary- certification which sets requirements

⁵⁹ According to ECCIB, the Brazilian paper & cellulose industry does not make use of native trees from tropical forests.

⁶⁰ In Norske Skog’s Environmental Report 2001.

⁶¹ In FSC website: <http://www.fsc.org/en/about>

⁶² According to Umezu the percentage is of 91.5% and to Lobben, it is of 77%.

for an occupational health and safety (OH&S) management system. It enables organizations to control their OH&S risks as well as to improve their performances. The OHSAS specification was developed to be compatible with the ISO 14001(Environment) and ISO 9001 (Quality) management system standards. Although OHSAS sets rules for appraisal of OH&S, it does not provide specifications for the design of an OH&S management system. Neither does it announce specific performance criteria for OH&S. Norske Skog Pisa has been certified with OHSAS 18001 since 2004.

Norske Skog Pisa also works with a health and safety platform which is known as Take Care 24-Hours programme. NS Pisa *Cuide-se 24 horas*’ objective is: encourage a healthy and safe behavior at home and at leisure activities”. Umezu states that ““Take Care 24 Hours” is a slogan we use in order to promote the same thinking at work, at home and at leisure activities. It is not a planned prescribed program, but an approach which is implemented at our unity aligned to its objective”. NS Pisa communicates its Take Care 24-Hours through the use of banners, bands, stamps and Safety Report. Some of the programme’s actions are:

“(1) to encourage the compliance of its leadership with matters related to Labour Health and Safety⁶³; (2) to comply with the standard procedures on H&S such as: Training and Capability, Management of Dangers and Risks, Emergency Readiness and Reply and (3) to promote a sound life stile through a healthy diet, abandon of smoking habit, alcohol habit and non use of drugs.”

One measure implemented by Norske Skog Pisa is the offer of labor gymnastics for the employees every morning. It also arranges events such as the Labour Accident Prevention Week every July, which has strong participation of the workers. In regard to safety concerns NS Pisa is very emphatic about the use of safety equipment at the mill. In case employees are caught without using the equipment adequately, warnings are granted.

One health-initiative taken by Norske Skog Pisa before NSI’s arrival concerns a smoking-free work environment. Smoking is strictly prohibited in the mill. As a

⁶³ In 2005 NS Pisa concluded the H&S leadership training besides participating in a two-week global meeting for all H&S officers (AR 2005).

result of NS Pisa's efforts to making the mill a smoke-free area, the Brazilian Cancer Institute (INCA) and the Ministry of Health has granted NS Pisa distinctions four times.⁶⁴ It has also received the National Quality of Life Award in 2000 promoted by the Brazilian Association for Life Quality, for its anti-smoking programme. There is a specific area a little aside the mill in which it is allowed to smoke, called *Fumódromo*. Moreover, NS Pisa has an agreement with the Union regarding smoking in the mill. When an employee is caught smoking outside the smoking area, he/she will be warned twice before just-cause dismissal is granted. On the other hand, NS Pisa has developed a quit-smoking campaign. It incentives and supports employees who wish to diminish or quit smoking with a dropping rate of 80% since 1997⁶⁵. This is done so by the offer of medical and psychological assistance as well as by limiting the smoking area to one specific place (as mentioned above).

3.4.3 Protecting Employees Rights

There are three main activities under which NS Pisa's employees participate: Collective Agreement (*Acordo Coletivo*), Dialogue with Employee (*Diálogo com o Funcionário*) and Employee Forum (*Fórum dos Trabalhadores*) both regionally, Regional Works Councils, and globally, Global Employee Forum.

The Collective Agreement is a document signed between NS Pisa and its employee's labour union *Sindicato dos Trabalhadores nas Indústrias do Papel, Papelão e Cortiça de Jaguariaíva* (Workers Union for the Paper, Cardboard and Cork Industry of Jaguariaíva), hereafter Sindipapel. Sindipapel is a local labour union which represents mainly the employees of NS Pisa. There are 342 associated to the labour union, where 284 accounts for NS Pisas' own employees and 58 for the companies Valor Florestal, Valor Chip and Valor.⁶⁶

⁶⁴ In 1997, 1999, 2000 and 2001 (Umezo).

⁶⁵ Ibid.

⁶⁶ Data from the labour union's website: www.sindipapel.com.br

According to my informant, Valor Florestal is the company that administrates the assets of another firm, Vale do Curisco, which is the one who owns all the forestry that supply raw material to NS Pisa. The employees of Valor Florestal belonged to NS Pisa before it decided to sell its forestry. After the purchase, they asked to remain associated to the same labour union Sindipapel. The labour federation above them authorized Sindipapel to represent and negotiate for them locally. The workers working in the field, i.e. working for Vale do Curisco, are not associated to Sindipapel.

The decision to enter into a collective bargaining is a voluntary one. A collective agreement has a validity of 12 months, which makes a new bargaining process, and the further signing of an agreement, necessary every year. Any agreement reached in the renewed document comes into force every 1st November. Salary negotiation is also reached in this occasion. It is known that the Sindipapel is the only labour union in the Paraná state which still guarantees some benefits in the Collective Agreement that other similar unions have already been deprived of.

Additionally, it has been guaranteed in the Collective Agreement that the employees will receive financial participation in the results of the firm, the Income Sharing Program. Based on the results achieved, the employees may have an annual addition of as much as twice their monthly salary. According to my informant at Pisa the average addition has been of one and a half salaries which are given in case the firm achieves its goals. In case its goals are surpassed, the addition may reach two salaries all based on the percentage exceeded.

Dialogues with the Employees

According to Umezu, “a set of improvements is reached through dialogue”. He states that the employees have the opportunity to report his/her anxieties and make suggestions directly to the directors or through their bosses. Dialogues with employees happen in an informal way, on a daily basis, or formally, which NS Pisa calls “Dialogue with Employee”.

Dialogue with Employee is a formal dialogue between each employee and its superior. It is a direct form of dialogue which goes through neither the employees’ representative nor the union. It happens once a year in November. All employees have the opportunity to have such dialogue. They have the opportunity to report if they are not satisfied with the company or the working conditions and they may also report what they wish to be changed. Moreover, both the employee and its superior have the chance to discuss about the goals that were set previously. The accomplishment or not of such goals are then analysed both from the perspective of the company and of the employee. It aims to clarify the impediments for achieving goals as well as to suggest measures to accomplish them. The Dialogue with Employee takes from one to two hours resulting in an agreement between the

employee and the company. My informant at NS Pisa describes it as a form of “assessment” of both the employee’s performance and the results achieved throughout the year in question.

Employee Forum

Every year there is a meeting with the employees’ representatives of both the Chilean and Brazilian mill and the employees of the regional office known as “Regional Works Councils”. The main objective with this meeting is to open a space to debate the rights and duties of the employees and their labour relations. This meeting takes place every other year in Brazil and Chile. According to the president of Sindipapel, Cardozo, the last meeting happened at the beginning of June 2005.

Dialogue is also practiced internationally through the Global Employee Forum (GEF). The GEF is a worldwide collaborative organ which is coordinated by the NS Corporate. It is an agreement reached between NS CEO and chief shop steward Kåre Leira in late 2004. I was informed by Dahlen that NS had already established Regional Works Councils before GEF. In spite of that, the employees representatives at all mills have participated every year at CORE.⁶⁷ Sindipapel usually sends different representatives to the global meetings: it is a way to give the directors of the labour union an opportunity to learn and participate.⁶⁸ Cardozo states that through those meetings the representatives of the labour unions are able to establish contacts with one another.

3.4.4 Professional & Educational Development

NS Pisa makes strong contribution to supporting both education and vocational training to its employees. Three years after the mill started its operational activities, in 1988; it brought to Jaguariaíva the school Positivo. Positivo competed with three other schools and was chosen to settle in Jaguariaíva due to the support they were able to provide at the community. The Positivo School teaches from infant school to high school. It attended at the time NS Pisa’s employees who needed to complete their education. The school also serves the community. Following that, NS Pisa

⁶⁷ The information I have from Sindipapel on the global meeting refers to CORE conference and not GEF.

⁶⁸ My informant at Sindipapel participated in the GEF in 2001.

established a partnership with a Brazilian recognized technical school SENAI in 1994, by also bringing it to Jaguariaíva. According to Umezu, Jaguariaíva, for being a very small community, did not have the necessary structure and services to provide school attendance.

The first course held by SENAI was Course for the Formation of Operators in Paper Manufacturing and thereafter technical courses at post high school level. The agreement was made so that 2/3 of the courses vacancies were to attend NS Pisa's employees and 1/3 was made available to the local population. The vacancies available for the local community are either free of charge or heavily subsidized.⁶⁹

My other informant at NS Pisa, Fátima Oliveira, emphasized that all current employees at NS Pisa have already acquired a professional specialization degree. Moreover, those wishing to develop their education even further, are able to take higher degree courses via Positivo, since the school has agreements with universities/colleges from Curitiba.

According to Umezu, the mill invests annually an average of R\$ 1.3 million (approx. NOK 3.4 million) in training. It encompasses the vocational training of employees via technical schools such as SENAI; operational training at the mill or at similar mills, external courses for technological updating and the updating of the professionals related to the work they execute in the mill, improvement of their English knowledge, courses related to leadership development, environmental education etc.

Every NS Pisa employee has received training on the 'Spirit of NS'. The Spirit programme consists of practices and lectures on NS core values -openness, honesty and co-operation-, vision, goal, strategies and leadership principles. Moreover, NS Pisa's middle managers participate in the Lens (Leadership in Norske Skog) continually. Lens is tailored for the company operations and the challenges facing its managers. Lens second edition was completed by approximately 10 employees at NS Pisa during 2005 (Dahlen). International training is another possible way to acquire professional development in NS Pisa. This opportunity came to one of its employees,

⁶⁹ In Norske Skog Press Archive, 09th October 2003.

who is a chemical engineer. She became process engineer at the mill in 2003 and, as a result of that, received her first task: to attend to a training programme at Norske Skog Research & Development in Norway, for a period of six weeks (People and Paper, June 2003). In the other hand, a Norwegian engineer went to NS Pisa to work and exchange experiences.

Young Readers project

Young Readers are NS programmes in alliance with other programmes that use newspaper in schools, such as “Read and Think” project. “Read and Think” is a project initiated by the Paraná-newspaper Gazeta do Povo in 1999. It aims to promote education through the increase of reading skills of children and young people by using newspapers in the classrooms, as to stimulate their critic view. The project was incentivized and supported by Brazil’s National Association of newspaper (ANJ) and its programme News and Education. Hence, Read and Think becomes a local –at Paraná-state level-⁷⁰ link to the ANJ programme. NS Regional Office joined forces with Gazeta do Povo in the beginning of 2005 in order to support the project. The Read and Think project reached more than 5,500 pupils in the 21 private and public schools in Jaguariaíva in less than six months of activities (Annual Report 2005). NS has also signed a three-year partnership with the Brazilian National Association of Newspapers (ANJ) in the middle of 2005 with the same purpose. Their expectations are to reach 18 million students and teachers throughout the country (Annual Report 2005). NS contributes both financially and through sharing of knowledge to both projects. NS holds seminars with its clients such as newspaper and magazine publishers. According to Stensaas, NS acts as a catalyst for its newspapers clients. It helps them to get the best ideas for driving the programme and making reading interesting for the youth.

3.5 Summary

⁷⁰ Since its creation the Read and Think project has been adopted in 743 schools in 32 municipalities in the state of Paraná, and reached directly 7,748 teachers and 195,500 pupils. In BAWB’s website:
<http://www.bawb.org.br/FreeComponent614content4553.shtml?webpContentPid=4798>

I started this chapter by making a presentation of the region in Brazil in which NS Pisa finds itself. I have also showed the transition to becoming NS Pisa and NSI's plan to expand its activities in the region. Followed that, I have explained how CSR measures are being implemented by Norske Skog at Pisa in Brazil. I have explained in detail the content of NS Pisa's four CSR measures in regard to environmental improvement; health, safety and working conditions; protecting employees' rights and professional and educational development. In the next chapter I will explain the factors and actors influencing the CSR measures just described.

4. Factors Influencing NS CSR measures in Brazil

4.1 Introduction

My analysis will be enlightened by two levels of relationships: ‘external’ causal explanations and ‘internal’ causal explanations. I will start the external level of analysis by making a brief presentation of NS home country, Norway, in order to contextualize the parent corporation. The influences exerted from the Brazilian government onto Pisa’s CSR measures will be enlightened followed by the influences from external non-governmental actors and the business climate in which Pisa is embedded in. I will base my analysis on the ideas from IPE about the existence of transnational relations where non-governmental actors enter in an integrative process of relations (Stopford & Strange 1991, Strange 1995, Kaiser 1971). In the second level of analysis I will address the internal motivation of the TNC for developing the CSR measures described. The analysis will rely on different perspectives in organizational theory, i.e. rationalistic, institutional-cultural and environmental deterministic.

4.2 ‘External’ causal explanations

4.2.1 Background considerations on NS home country

The paper and pulp industry is a sector with great potential negative impact in the environment. Norske Skog was a strong environmental sinner 20 years ago: “we were really bad, which explains why most of the paper industry in Norway was sanitized resulting in new modern unities. This is the history of Norske Skog” (Stensaas). According to Stensaas, the initiative to sanitize the corporation has led it to be among the best in the world; “[NS] can be compared to other high technologic activities”. NS environmental improvements are a result of external pressures initiated in the middle of the 1970s combined with later internal disposition at the corporation (Sæther 1999). NS had a reactive role by complying with Norwegian environmental regulations from the end of 1970s to mid-1980s. Towards the end of 1980s it had a more active role due to the increasing attention environmental issues received in Norway with the release of *Our Common Future* in 1987. Environmental concerns grew even stronger when WCED leader, the Norwegian Gro Harlem Brundtland,

became the prime minister of Norway in 1986. Moreover, as a result of an individual initiative internally, NS developed and implemented a common environmental strategy to govern all the national mills in 1988(Sæther 1999). External pressures on the corporation were mainly concentrated in the Norwegian territory, and before NS became a global corporation. It was in the beginning of the 1990's that NS took a more proactive environmental role as a result of its own internal dynamic and external competitiveness combined (Sæther 1999).

4.2.2 NS relationship with the Brazilian government

A modern environmental legislation

How is the relationship between the Brazilian government and the TNC in regard to environmental issues? One of the major influences from the Brazilian government onto the activities of NS Pisa is through its environmental legislations. In regard to environmental concerns, there are secretariats and agencies whose main tasks are to control and assure the compliance to environmental requirements by corporations and private actors. According to Brazil's former Minister of the Environment José Carlos Carvalho: "we have in Brazil one of the most modern and complete environmental legislations of the world. Our problem is due to the chronic deficiency of qualified personnel to guaranteeing its true compliance, both in regard to the technical orientation and monitoring of projects, and to environmental inspection". This supports Hadlock's exemplification of Brazil as a country "where a vigorous regulatory framework exists in certain states" (1994: 159). However, there are some considerations to make. First, the environmental legislation at national level is in most of the cases filled by regulations at state and municipal levels. This explains to a certain degree the variance of regulatory framework in the form of deficiency of personnel from state to state in Brazil. "In Brazil the regulatory agencies of the individual states are the dominant enforcement authorities for environmental compliance" (Hadlock 1994: 154). Secondly, and most important, is the implication it has to my case. The existence of variance on deficiency in some

states implies, on the other hand, the existence of qualified personnel in other states.⁷¹ According to Umezu, NS Pisa is in constant dialogue with the municipality, with both assistance and supervising offices. He cites the Environmental Institute of Paraná - *Instituto Ambiental do Paraná* (IAP),⁷² which inspects the mill in order to verify and control that its practices are in accordance with what is prescribed in the environmental legislation. According to him, the mill must observe the requirements established in the municipal, state and national laws. The Brazilian environmental ‘problem’ pointed out by Carvalho, i.e. assuring compliance to the law, is not part of NS Pisa and Paraná’s reality. NS complies to and follows the rules imposed by the state. According to SO, there have not been reported environmental problems caused by NS Pisa neither before – nor after – it was certified with ISO 14001 (2002). The Brazilian government relates to the corporation on environmental matters through the imposition of its political requirements. But Carvalho also believes that the Brazilian environmental regulations influence the CSR measures of corporations in Brazil: “Taking care of environmental protection by us, has promoted the meeting of enterprises with surrounding communities and to enterprises’ closer integration to communities’ leaders”. Although the following of environmental rules is not regarded as CSR measures in this work, it underlies the good environmental standards the mill has had for the accomplishment of environmental CSR measures. Moreover, where the compliance to environmental regulations from private actors might be taken for granted in developed countries like Norway, this is not the reality in Brazil. Illegal logging of tropical forest and widespread industrial pollution are still observed in the northern region of the country.

Accident Prevention Commission

Has the Brazilian government influenced H&S standards at Pisa? NS Pisa H&S performance is founded on one of the Brazilian regulations on working related issues, and more specifically on H&S concerns, which is the Regulating Norms for

⁷¹ See also Hadlock 1994.

⁷² IAP was instituted in 1992 although it succeeded other institutions originated back to 1923. It received attributions related to forest protection in 1985. Its mission is: “To promote, preserve, conserve, control and recuperate the environmental patrimony, in search for a better quality of life and the sustainable development with the participation of the society”. In: <http://www.pr.gov.br/meioambiente/iap/index.shtml>

Safety and Health at Work (*Normas Regulamentadoras –NR*)⁷³. An obligatory norm comprising it is the NR-5, or CIPA Accident Prevention Commission. “The function of the CIPA is to analyze problems and accidents and identify the points where changes are needed to guarantee labor safety” (SO 2002: 7). According to SO, “although the functions of the Commission and its prerogatives are defined in regulatory norms, its operation depends highly on the participation of workers and the good will of the company” (ibid: 7). NS Pisa recognition on H&S standards is related to the strong role CIPA has played at the mill, which has been accomplished with the strong participation of the workers (ibid). A very active CIPA also explains Pisa’s acquisition of OHSAS 18001.⁷⁴

The Brazilian state also influences the mill through the “Ratification of Working Law” (*Consolidação das Leis Trabalhistas*). Umezu also relies on legal requirements as a foundation for its CSR measures. For him, the ‘Take Care 24-Hours’ programme can also be framed by the labor legislation of each locality: “although the same global logo and principles are used, the procedures and norms feeding and sustaining the programme are based on the working legislation of each locality.” He cites the Brazilian “Ratification of Working Law” article 71 § 3rd which sets a 6 hours working time daily for employees working in turns. According to him, healthy concerns are at the core bottom of this regulation.

Employees’ rights

Brazil ratified the ILO convention 98 in 1949 which guarantees the right to collective bargaining. It implies that once ratified, the conventions become a national law, but in accordance to the norms prescribed in each national constitution (SO 2004). Collective bargaining is a right protected by law in Brazil; it is not obligatory but optional. Although the decision to enter into a collective bargaining is voluntary, once an agreement is reached the document becomes legally binding.⁷⁵ The

⁷³ More in: <http://www.mte.gov.br/Empregador/segau/Legislacao/Normas>

⁷⁴ The implementation of OHSAS 18001 demands high participation of CIPA and the employees.

⁷⁵ There are two reasons why I choose to include the Collective Agreement as a CSR-measure: at first (and as it has been mentioned before), the process of collective bargaining, and which has among its main goals the signing of a Collective Agreement, demands voluntary initiative and will from both parts. Secondly, the very own content of the agreement achieved with NS Pisa which supplies the employees with better economic and working conditions than the ones prescribed in the Brazilian labour legislation.

Collective Agreement is the main juridical instrument regulating the working relations in the company. The labour union Sindipapel has never needed to rely on the Labor Court nor to strike or make work stoppages in order to demand the mill's compliance to the law. This is positive to Sindipapel, as pointed by Cardozo, the Brazilian judicial process is very slow. According Cardozo the Collective Agreement is a very important instrument since the benefits prescribed in it surpass what is guaranteed by the Brazilian State, i.e. by Brazil's Ratification of Working Law.⁷⁶

Partial Conclusion

The relationship between NSI and the Brazilian government happens through a high degree of compliance from the mill to the Brazilian regulations, constituting the framework within which NS Pisa has been operating (Hadlock 1994). The NSI Corporate also has a global governance platform which demands obedience to national legislations. The fact that NSI has developed its operational activities under the norms prescribed in national regulations puts the mill ahead of other firms in the Brazilian context. Moreover, Stensaas states that NSI does not involve itself in politics, and recognizes the current Brazilian regime to be by far the best for the corporation's interests in Brazil. There have not been power relationships between the mill and the government (Stopford & Strange 1991). The Brazilian government has founded the basis for NS Pisa's development and implementation of CSR measures, which are above legal regulation. According to Paulo Itacarambi, from the Ethos Institute, the CSR movement is still very little developed in the public sphere. The Brazilian state still associates CSR measures to practices of philanthropy.

4.2.3 NS relationships with external non- state actors

Environmental certifications

What about NS relationships with non-state actors in regard to environmental concerns? The process to the acquisition of ISO certifications is very comprehensive and demands a variety of specific documentations. The ISO 14001 certification is a

⁷⁶ The law prescribes that for every extra working hour an employee must be remunerated with an additional of 50%. The agreement reached in the collective document prescribes an additional of 100%. The same yields night shifts: the Collective Agreement guarantees 45% additional remuneration for employees working at night, against 20% defined by law. Moreover, it is defined in the document the minimum wage per month for the employees at NS Pisa which is of R\$ 660.00. It corresponded two times the minimum wage set by the Brazilian government which is of R\$ 300.00.

commitment to regular improvement. The process demands collaborative relationships among the company and institutions accredited by the government in order to measure its technical environmental standards. For instance, the Brazilian laboratory Ambientec, which is accredited by IBAMA and associated to ABNT⁷⁷, was asked to elaborate the Management Plan for Solid Discharges for NS Pisa. The geologist responsible, Fernando Pilate, stated that: “Pisa already has an efficient management of its discharges; however the services provided by Ambientec had the objective to optimize the processes and controls in a whole”⁷⁸. Hence, NS Pisas’ relation to national actors is rather for monitoring and assessment processes than with the objective to create CSR measures through partnerships.

NSI gives priority to wood deliveries from FSC certified forests and requires accordingly wood from such forests reflects the corporation’s commitment and contribution to a responsible value chain. The mechanism to the FSC certification is a democratic one since it provides equal access, voice and vote to forest owners, the corporation and the local community. The FSC forest certification is a CSR initiative leading the corporation to meet with external actors. In this way it gives the opportunity to the interaction and close cooperation between them, which supports Bendell’s (2000) ‘collaboration’ among corporations and the civil society. The maintenance of both ISO 14001 and FSC certifications requires open dialogue and transparency from the NS Pisa. The mill is open for any kind of complaints from the community regarding whether its activities cause harm in the surroundings. “The firm is open, and it has a complete internal procedure for attending such complaints”. Based on that, the corporation does not take a defensive role regarding the impacts of its activities in the vicinity. It has established an internal management structure to handle such matters.

Sindipapel

Labour unions are important actors in the civil society acting on the behalf of workers. The labour union Sindipapel is the local actor with whom NS has had the

⁷⁷ IBAMA is the Brazilian Institute of the Environment and Natural Renewable Resources. ABNT is the Brazilian Association of Technical Norms, and is a founding member of ISO.

⁷⁸ In Ambientec’s website: http://www.ambientec.com/artigo_piza.htm

strongest and closest relationship with Brazil. Sindipapel started as an association in 1986 when a group of employees working for PISA created the Association of Workers in Paper, Cardboard and Cork Industry of Jaguaraiáva.⁷⁹ Sindipapel was recognised as a labor union in 1988. Since NS Pisa is the only enterprise producing paper in the community, Sindipapel becomes a labor union for paper workers of a single enterprise, which is Norske Skog. My informant at Sindipapel, Benedito Domingues Cardozo, has been president of the labor union since 1994. Every fifth year the union holds elections and all its members are allowed to nominate themselves in case they wish so. Cardozo has stood for re-election twice, once in 1996 and 2001. NSPisa's employees are always people coming by to talk, bringing information and learning about things and he seems to be very pleased about it. Additionally, the labor union makes announcements to its members through informative letters and its website as well.

Collective Agreement

NS Pisa has signed Collective Agreements since Sindipapel was created in 1986, hence before NSI's arrival. The Collective Agreement comes into force from the 1st of November to the 31st of October of the following year. The process of collective bargaining is very democratic. Every October the union calls for a general assembly with all its members. All the employees have the opportunity to present their aspirations both regarding social and economic concerns.

The negotiation is led by Cardozo himself and two other persons at the mill: Pisa Mill Manager Thomas Ritter and Pisa Human Resources Manager, Hissashi Umezu. According to the president of the union the process of collective bargaining is completely local, between the union and the mill in Jaguaraiáva (although it is also signed by NS executive VP Antonio Dias). In case the mill does not have the authority to reach a decision about a subject matter presented by the union, it takes it to a superior level to see what can be done. The collective negotiation is a valuable

⁷⁹ The Brazilian legislation of that time did not allow the direct creation of a trade union. First, it was necessary to create an association of which negotiations were to be followed by the Working Federation until the association could receive the status of a trade union two after its creation. According to the president of Sindipapel, the current Brazilian legislation now allows the direct creation of a trade union in case a municipality does not have a trade union to represent a category of workers.

example of good cooperative work developed between the company and the labour union. The mill is not seen as enemies by Sindipapel and vice-versa. There is no evidence showing that demands or pressures from the outside were needed for collective bargaining, as it is presumed by the environmental-deterministic approach.

Moreover, Cardozo states that the relationship established between the labour union and NS Pisa is differentiated, "...from what we speak with our trade-unionist colleagues we see that there is not the same openness as we have in Norske Skog". He feels that they are at liberty to talk and participate without having the need to abdicate any of their rights. Their good relationship is also reflected in the content of the clauses signed in the Collective Agreement.

Does the union cooperate with other related national actors? Cardozo stated that Sindipapel does not have direct contact with the Brazilian ILO, which has office in Brasília. According to him, the labour union has direct contact with the Federation of the Workers in the Industry of Paraná State⁸⁰, which is above them in the hierarchy. Sindipapel is also affiliated with the National Confederation of Industry Workers (CNTI) which is the highest entity in Brazil. The communication pathway goes from the local labour union through the state level Federation to the CNTI. This reflects the lack of 'easy' access to relevant institutions in Brazil. Pisa and Sindipapel's ability to cooperate with one another without needing to rely on national regulations, especially when those protecting core rights are of difficult access, becomes a luxury in Brazil.

Employee Forum

The South American Regional Works Council is an initiative from NS that creates an arena for the exchange of information and experience among employees' representatives and their respective labour unions worldwide. A way to establish an umbrella for all NSI's three regional works councils in Europe, Australasia and South America was the creation of GEF. The GEF can be regarded as a formal partnership between the corporation and the representative of NS employees. It was highly

⁸⁰ The Federation in Paraná represents workers of all categories and not only workers for paper industry. He cites the Federation of Workers in Paper Industry of Minas Gerais state which represents only workers in the paper industry in the state of Minas Gerais.

valued by all my informants at NSI. Very few TNCs have a common GEF opening space for global discussion. It is also an arena for developing cooperation among employees' representatives and the organization's leadership. Before GEF was established the employees' representatives participated at the leadership meeting CORE, which also supplied them with relevant information on the corporation. Based on the information I have, GEF is an evolution of NS core values (more on NS's core values on 4.3.2).

Young Readers

NS initially got involved in the newspaper in education programmes when its former CEO, Jan Reinås, signed a cooperation agreement between NS and the World Association of Newspaper (WAN)⁸¹ in 2003. This explains its extension through partnerships in Brazil with ANJ and Gazeta do Povo. The implementation of Young Readers in South America has been a priority for NS in 2005. The Executive VP of NS South America, Antonio Dias, makes reference to the unique importance of the programmes for the education of the Brazilian youth, by stimulating reading skills and citizenship. According to Stensaas, the Young Readers project is NS's main contribution to the Millennium Development Goals, through securing education to all, which is a measure highly valued by external actors, be it governments or NGOs. NS's promotion of education through the use of newspapers in school can be interpreted by Brunsson's logic of fashion. It has engaged in an initiative embedded in social values and which is highly valued by the society. This is an initiative able to secure legitimacy and receive support from external actors. In spite of its social dimension, this partnership also has an economic goal. I will give a definitive analysis on the motivation to sign a partnership with Gazeta do Povo and ANJ under the section on 'internal causal explanations'.

4.3 A local competitive environment?

The local market forces have not really influenced Pisa on the CSR measures it implemented before NS arrival. Umezu states that NS Pisa did not previously have a

⁸¹ "WAN defends and promotes press freedom world-wide. It represents 18,000 newspapers; its membership includes 72 national newspaper associations, individual newspaper executives in 102 countries, 13 news agencies and ten regional and world-wide press groups" (ibid.).

wide vision of the market (Pisa has supplied all its newsprint production to Brazil's internal market through its former owners). Moreover, the economic scenario incorporated by NS Pisa has promoted little competitiveness and thus economic growth, neither for the State nor for the company. He adds:

“Before we made analysis only based on the local conditions ... We did not go after any reference, also because there was none. Today it is different. When we are going to do something, we look for a reference...We take advantage of the best things that exist in the global in order to apply in the local”.

However, the public opinion and shareholder interest at the global level has influenced the NS Corporation directly. They demand corporate, social, and environmental responsibility. This explains to a certain degree NS elaboration of codes of conduct, which govern most of the CSR measures presented in the last chapter. They have been one of most common references for responsible corporate behaviour, especially to Northern international actors that do not have access to TNCs corporate behaviour in LDCs. NS is aware of this highly valued requirement from external actors. In Stensaas own words: “everybody is asking for policies, we actually call them *guidelines*”. From an environmental-deterministic perspective, the elaboration of codes of conduct by NS is a result of external exigencies highly valued by external actors (More on 1.3.2). There have been stronger influences from a competitive business environment in the international arena through demands of values and norms. Hence, the influences of a competitive environment on NS Pisa have happened indirectly through its parent corporation.

NS: “front runners” or “fast followers”?

TNCs respond differently on the external exigencies imposed by civil institutions in relation to their CSR behaviour (Zadek & Forstater 1999). Stensaas explained NSI' CSR role as such:

“we have decided in relation to CSR that we would not be ‘front runner’ because all the corporations are searching for a way to implement these things, about ethical policies, relation to employees, human rights, and so on. Everyone is searching for a good model and nobody has actually found a really good model yet.”

My informant thinks that it is very positive that many people are studying this phenomenon, because the corporations can – in turn – learn and benefit from their research and experience. He adds: “What we wanted to be is a ‘fast follower’, and

this is what we have been”. To be a *‘fast follower’* implicates to follow the ideas and norms other corporations with a more proactive role have invested financial resources in. It also means to follow the markets demands by not doing more than it is expected. On the other hand, corporations also gain from being *‘front runners’* since they have the opportunity to create the standards other corporations will follow.

However, NS has not only had a reactive role in the movement towards CSR. The corporation has also engaged early in some initiatives. “We might have been a *‘front runner’* in some situations, in relation to making agreements, in order to concretize...lead policies into concrete actions I may say” (Stensaas). For instance, in actions such as the ICEM agreement Stensaas has pointed out, “there have we been *‘front runners’*”. NS was the world’s first Pulp and Paper Corporation to sign a global agreement in 2002 with the International Federation of Chemical, Energy, Mine and General Workers’ Unions (ICEM)⁸² and Norway’s United Federation of Trade Unions.⁸³ ICEM gives special attention to TNCs and their practice of best business standards globally. It sets a common platform for corporation’s behaviour in regards to the minimal global standards for employment, health and safety and human rights for all employees, suppliers and subcontractors. What have been its implications to the Brazilian mill? The accord has been translated into Portuguese and was promoted broadly among Pisa’s employees. The instrument seemed to have produced little impact among NS Pisa’s employees, what SO regards to be a positive matter “it shows that the rights here are far beyond the basic norms” (SO 2002: 11).

4.4 Corporation’s internal explanation

4.4.1 A rationalistic explanation on CSR

The creation of codes of conduct

Codes of conduct govern all the relations at the mill (more on 4.3.3). NS Pisa Environmental Policy was determined and inspired by the corporation’s superior Environmental Policy of 2001. “NS Environmental Policy is an integral part of the

⁸² ICEM is an industry-based world labour federation with more than 20 million workers members of it worldwide. It represented 408 industrial trade unions in 125 countries by June 2004. ICEM website: <http://www.icem.org>

⁸³ It has also signed a binding agreement with the Confederation of Norwegian Business and Industry (NHO) on participating in the Female Future project to enhance equal opportunities in the company.

strategy to achieve the overall corporate goal” (AR 2005: 33). NS’s overall goal is to deliver the best shareholder value in the industry, which is prescribed by NS’s “Shareholder Policy”. The production of codes of conduct by NS has to a certain extent an instrumental role in the pursuit of capital. They are among the main references on how private actors behave socially and environmentally. Stensaas explains that in regards to the big pension funds, international investors base their analysis for the placement of pension money on how corporations behave environmentally and socially. The demand of such values affects NS’s acquisition of capital investment, which is an “*obvious*” necessity for the running of the corporation (Stensaas). “Of course the investors want much [profit] out of the economic value, but gradually these concepts here [environmental and social] weigh heavier. This here [economic] is a necessity while the two latter is in a way qualifying criteria” (Stensaas [interview]). Thus, the production of codes of conduct is, to a certain degree, one action taken by the corporation based on a cost / benefit calculation.

Furthermore, the mill’s H&S management is under a global H&S policy and is supported by the corporate vision: “a safe environment and healthy people” (Annual Report 2005: 59). In the sense that the creation of policies is strongly guided by rationalistic calculation, NS H&S policy is also a means to achieving financial gains. However, to explain NS health & safety concerns only based on the rationalistic point of view does not seem to be correct either. I will return to it in the next section.

Professional development & training

NS invests and supports the professional education and training of its employees, both locally and internationally. For the NS corporate, having the best-educated employees and working for their constant development are necessary conditions to becoming a world leader in the paper industry. Based on a rationalistic interpretation, this action follows the logic of consequences where investment in education is necessary tools so that the choices made by within the corporation promote effective productivity and the survival of the organization.⁸⁴ NS ensures the training and education opportunities of its employees through the programmes

mentioned earlier. For instance, Lens is a global training programme “to drive actions and to improve results” (ibid: 21) implemented by the Norwegian corporation.⁸⁵

Young Readers

As I mentioned in section 4.2.3, the Young Readers programme also has a commercial dimension; it helps to recruit new generations of newspaper readers. This initiative’s motivation falls in between rationalistic and environmental deterministic interpretations (as shown above). A rationalistic approach would interpret this initiative only as means to assuring future economic gains. NS is aware that this initiative is a long-term economic strategy. Programmes that enhance educational skills are highly valued by financial investors within both the international and national community today. What is interesting about this initiative is that NS is responding to the demands of investors by seeking capital investment (which is a rationalistic calculation). However, the international investors themselves have been embedded in values and principles, which are transferred to the corporation. As long as such values are in favour of the corporation’s economic strategies, they will continue to be implemented. Another explanation of the newspaper in education programme can be based on Zadek’s (2004) explanation for corporate behaviour. The Young Readers might be a clear, and legitimate, example on how to address society’s concerns linked to business -economic- strategies, which is the *civil* stage in Zadek’s.

4.4.2 An institutional–cultural explanation on CSR

On the environment

NS’s 30-year long process of compliance to the Norwegian laws and national external market forces, in addition to internal driving forces at the company, has contributed to the internalization of environmental values at the Norwegian corporation. Thus, environmental values are not merely instrumental validity in the hands of decision makers. Stensaas states that many of the environmental principles constituting the CSR concept for the past six years were already intrinsic in the

⁸⁴ Stensaas mentions a fourth new aspect within the CSR-concept which is at the individual level, but without going deeper on that.

⁸⁵ *Basic leadership* is a corresponding programme for younger and/or potential management candidates. I did not receive concrete information on this programme for NS Pisa.

Scandinavian way of doing business. “In Scandinavia many of these principles [environmental, social and sustainable economic use of capital] have been taken for granted. It has been in the backbone of every Scandinavian leader” (Stensaas). According to Stensaas, this explains why environmental concerns have been strongly correlated to economic concerns in the paper industry. One way of assuring NS’s mills worldwide respect NS’s environmental values is through the implementation of internationally recognized certifications. Making sure that all international mills are certified with ISO 14001 is a way of transferring the Scandinavian ‘mentality’ to the corporation’s unities abroad.⁸⁶ NS has been early adopter of the ISO 14001 certification (it could be regarded as a *front runner* in this matter as well). According to NS, internationally-recognized certification systems are important tools in order to meet the environmental standards set by NS in its production process (Annual Report, 2004). However, Pisa’s former owners had also made plans to certify Pisa to ISO 14001 before NS arrival. This idea arose when decision makers at Pisa realized that in cases of emergency, joint efforts would be necessary from the environment and H&S departments. They decide to found this integrative process on ISO 14001 and OHSAS 18001, which led to the implementation of Integrated Management Systems (IMS) at the mill.⁸⁷ The implementation of ISO 14001 at Pisa has been an internal integrative process from above and from below.

Health, safety and working conditions

NS Pisa was already recognized by its concerns about health and safety and working conditions before NS arrival. An indication is the prize the mill received from Norske Skog in its first year at the corporation as the best among the subsidiaries in terms of health & safety (H&S). Moreover, six of nine prizes received by NS Pisa in this matter were granted before 2001.

There has been a strong mentality at the individual level at former Pisa reflecting the existence of values and beliefs conducting the process of H&S decision

⁸⁶ Analogically, ISO can also be ‘easier’ than to implement or follow Norwegian environmental legislation in other countries, especially in the South.

⁸⁷ IMS aims to combine internal management systems into one system, making the boundaries between processes seamless. (WEBSITE)

making. H&S concerns have been intrinsic values at NS Pisa.⁸⁸ NS Pisa H&S engineer stated that: “no effort is too great to achieve safety” (SO 2002: 8). From an institutional-cultural perspective, the mill’s employees, and especially those involved with CIPA, have been working to do what is considered appropriate. NS Pisa has also transferred its efforts in achieving high H&S standards to the NSHQ. The mill was the first certified to OHSAS, which has now been implemented by other mills in 2005 (AR 2005). This is one example of the influence exerted from the local to the global.

H&S concerns are also highly emphasized by the NS Corporate. According to Stensaas and Dahlen, H&S is always the first subject approached in any corporation meeting (the first visit from the HQ to the Brazilian mill was from the safety area). NS believes that H&S is a 24-hours responsibility and the achievement of its vision depends strongly on close cooperation throughout the entire organization. Take Care 24-Hours is a platform developed by the NS corporate and which supports NS Pisa’s own H&S programme.

NS Pisa’s Take Care 24-Hours is adapted to the local reality, allowing the mill to make independent decisions. The former Pisa’s acceptance of NS legitimate goals does not implicate them in the violation of their own interests. Moreover, the Take Care platform is a genuine example of institutional meanings and values the employees are using outside the corporation’s walls (Peters 2001).

Dialogue with employees and its representatives

I was immediately reminded of the firm’s philosophy which is openness, honesty, and cooperation when I asked Umezu about the dialogue the firm has with its employees. The formal “Dialogue with Employee” (*medarbeidersamtale*) is a model brought from the NS Corporate and which has been implemented in Norway. It is a practice widespread at most Norwegian working places, especially since the beginning of the 1990s, and which is not commonly applied in Brazil by employers. In the eyes of Umezu this is one measure exemplifying the significant changes on the enterprise-employee relationship after the arrival of NS.

⁸⁸ For instances, CIPA’s existence was taken for granted by Umezu since H&S has been top priority at the mill.

The practices of dialoguing with the union have been improved after NS bought Pisa. Umezu points that with NS the situation is different. “With Norske there is dialogue and more dialogue. And if we do not reach a resolution with dialogue, we establish another dialogue in order to try to solve the problem. Do not conflict!” My informants at NS Pisa and Sindipapel stated that the communication between the former Pisa and the labor union was quite good at the time Pisa was a single firm as well. My informant at NS Pisa grants legitimacy to Pisa’s former owner, who always tried to dialogue until the last instance. However, the practice of dialoguing between management and employees is not a device preferably used by the rational theorists. Based on their perspectives, the use of force and power capability are justifiable means to the acquisition of desired ends. An institutional-cultural perspective offers a more appropriate explanation of the dialogue measure used internally in Norske Skogindustrier, showing the existence of an integrative political process within an autonomous organization, i.e. NS.

On professional & educational development

The establishment of both the Positivo School and SENAI in Jaguariaíva were initiatives taken by the mill long before NS bought it. NS Pisa brought Positivo School to Jaguariaíva because many of its employees had not concluded their secondary education when the mill started operations in the 80s. It was a necessity the employees had and in which NS Pisa decided to invest. NS Pisa’s decision makers were also motivated by the situation at the local community, which explains their efforts to assure school attendance to the local population as well. Similarly, the need to improve the technical knowledge of its employees explains why NS Pisa brought SENAI to Jaguariaíva. The goal with SENAI was to provide them with the necessary technical training. In this case, the community also benefited from the offers of extra vacancies in the courses. These local conditions have determined the organization’s identity constituting its informal structure embedded in values (Selznick 1966).

NS Pisa: a broader institutional role in the community

The Brazilian socio-economic context has influenced NS Pisa to a large degree. Pisa’s external motivation can be explained by one of Brazil’s greater contemporary challenges; to diminish the gap between the rich and the poor, rather

than on the local competitive environment. Pisa has experienced this reality through its employees and the small community of Jaguaraiá. Umezu made reference to Abraham Maslow's *Hierarchy of Needs*⁸⁹ in order to explain their motivation to act on the behalf of the employees and the local community (and which has defined Pisa's Human Resources' strategies before NS's arrival). In regard to the situation at Pisa, Umezu states the mill does not live the Brazilian reality (whereas the Brazilian government is busy in feeding the people, taking care of the physical health of the population): "Here at Pisa the primary needs are already attended, and we are moving towards the evolution of the individual in specializing [professionally]". It illustrates the concerns the company has had to the social, economic and cultural situation of the employees and towards the community. The underlying need of the larger community has institutionalized the role the mill has taken (Selznick 1966).

Pisa's internal motivation to implement such CSR measures traces back to its former owners. Almost all the informants I have spoken with have referred to Pisa's former director as working very hard for its employees, the vicinity and the environment. From what I could notice the earlier Pisa was quite ahead of what was common in other national firms and enterprises. Statements from my informants at NS Pisa, NSHQ and Sindipapel were unanimous to say that the former owner of Pisa has always had a good understanding and awareness of the firm's place in the society. Stensaas mentions the former Pisa director Afonso Noronha (who works at the Regional Office now): "he has always been a proper workforce both for the local community and for our corporation afterwards as well". Norske Skog chose the Gazeta do Povo for the Read and Think project since it would take the project to Jaguaraiá. It was a condition for Afonso Noronha⁹⁰, since Jaguaraiá was not included in the project before. "This is a boost to the pupils and will also make it more attractive to live and work in this city" (People&Paper 2005: 29). The individualization at individual level of organizations is also addressed by UNEP in its

⁸⁹ The hierarchy of needs is a theory in psychology proposed by Maslow in his 1943 paper *A theory of Human Motivation*. In the base of the pyramid are the physiological needs (food, health, exercise, etc); followed by safety and security needs (physical safety, economic security); thirdly are the social needs (acceptance, group membership, etc); then there is the need for self esteem (intelligence, prestige and status) and on the top of pyramid is the need for self actualization (opportunity for innovation, learning at a high level). (Queiroz 1996)

report “Talk the Walk”. Here UNEP recognizes the role played by visionary founders of corporations in promoting CSR practices (UNEP 2005).

Institutional values at the parent corporation

According to Stensaas, openness, honesty and cooperation are values strongly embedded in the Scandinavia culture, whereas their acceptance could have been regarded as naïve by its affiliates. NS founded its core values in 2000: “We needed something we could pass through for integration and common platform, so that everybody could relate to” (Stensaas). Although NS could not predict the future consequences caused by the transference of its core values throughout the organization, it decided to implement them as it believed they were appropriate to running of the corporation. However, “people were actually able to identify themselves with them, although they weight these concepts differently...and interpret them differently in relation to their culture” (Stensaas). For instance, the value most weighted by the union and employees after NS arrival is openness, through participation in meetings. Dahlen adds that discussion on the content is also a positive factor since it becomes a conversation theme in many situations. The Spirit programme, and the passing through of NS values, is an example of action where institutions do not only define their own identity, but also train and socialize individuals in them (March 1994). Selznick (1966) also point that the process of institutionalization implies the infusion of values. I was constantly reminded of NS values during my interview at NS Pisa. However, I can also observe elements of each of these values in the relationship established between NS Pisa, employees and the local community before the internalization conducted through NS Spirit programme.

4.4.3 An environmental–deterministic explanation on CSR

I have provided some explanations based on the environmental-deterministic perspective throughout the analysis above. It remains to enlighten the internal transnational structure between the parent and the affiliate as an evidence for the existence of *double talk* (Brunsson 1989) or *double standards* (Bendell & Murphy 1999).

⁹⁰ PISA’s former director and which works at Special Projects at the Regional Office.

One of NS's main local alterations after the purchase of Pisa was of administrative character. One must not overlook the role of NS Regional Office at Curitiba when making reference to the communication between NSHQ and its affiliate NS Pisa. "The establishment of a *headquarters* in Curitiba aimed to service the entire South America and Brazil in particular" (Stensaas). It is not difficult to understand why my informant called the Regional Office for *headquarters*. NS Executive VP of South America is also a corporate management member. Antônio Dias participates weekly on telephone meetings with the rest of the management, besides the visits he pays to Norway at least five times a year⁹¹. Stensaas views this close relationship as more than a controlling mechanism on the mill, it "secures good co-operation all the way through, with exchange of information."⁹² It is clear that the management governs, but Brazil is indeed a part of the management and it takes part in the decisions for the entire corporation". Stensaas adds: "if we are a little rough and take a percentage, we could say that Antonio Dias is 90% responsible for everything that happens in South America. And 10% are strategies and guidance from the corporation".

The transnational nature of the corporation opens specific compliances the mill must 'obey' and adapt to in each country. This organizational behaviour allows for the exchange of values by delegating a large degree of responsibility to decision makers, as illustrated by Dias' 90% responsibility in the decision making process (and which goes against the rationalistic assumption on the immobility of behavioural rules). The exchange of information goes both downwards, from the HQ to the Regional Office, and vice-versa. It has been mentioned exhaustively by Umezu, Stensaas and Dahlen that the habits and customs of each locality must be respected in order to provide their needs and to assure in return the good development, and continuity, of its activities. For instance, according to Umezu, although 'Take Care 24-Hours' has a global directive, each mill is to apply this programme in accordance to the customs and habits of each locality. According to Dahlen a typical trait in NS is

⁹¹ Including at CORE, NS annual leadership meeting.

that “generally speaking all [mills] are cornerstone companies in their local environment with very different challenges”. NS does not have a static process of governance applied from above (NSHQ) to all its mills below. There is not a preconceived idea that NS’s(or the Norwegian-) way is the best or only way. In sum, NS’s internal structure also allows NS Pisa to exert, to a large degree, influence on the Regional Office at Curitiba, who also passes it forward to NSHQ.

Double standards?

According to Bendell & Murphy (1999) “Many companies are beginning to introduce new environmental and social policies for their operations in Southern countries...[such as] codes of conduct” (ibid: 45). The codes of conduct I have access to were issued in 2001, i.e. the same year NS became a global corporation through the acquisition of mills in the South. One of the main changes at Pisa with NS arrival is in regard to NS Pisa becoming part of a bigger environment: “It changes because the philosophy of a global corporation is very different from a single enterprise’s” (Umezu). For Umezu standardization is a premise for becoming part of an international organization. It allows for making valid comparisons among the unities “to be easy to compare garlic with garlic and onions with onions, not garlic with onions” (Umezu). One of the highest forms of standardization and systematization NS has offered its affiliate is through the implementation of codes of conduct. Codes of conduct are also devices for assuring consistency throughout the organization, not allowing for double standards on social and environmental programmes. For instances, NSHQ is working for Pisa’s achievement of the environmental standards prescribed by EU reference document.⁹² Monitoring of Pisa’s environmental standards is made through monthly reports to the HQ on four main matters: emissions to the air, energy consumption, discharges to water and waste handling. According to Lobben, Pisa satisfies, if it not surpasses, most of the standards proposed in the document. According to Hadlock TNCs provide a “significant bridge in the

⁹² The communication pathway between NS Pisa and NS HQ occurs on daily basis. “Today it is *real time!*” NS has invested quite much in technology of information through especially the implementation of “The One”, NS intranet and which makes possible the contact between NS Pisa and the other mills.

⁹³ “Reference document on best available technique in the pulp and paper industry”. All mills shall achieve the standards prescribed in the EU document by 2008.

environmental sphere between one country and another, and between one region and another” (1994: 155).

Double Talk?

Codes of conduct are among the “10% strategies and guidance” governing all the arenas within which NS Pisa operates, and all NS mills worldwide as well. Instead of doing double talk, NS has combined, through the development of codes of conduct, the generation of efficient production and the promotion of externally demanded values internally. NS internal structure allows for constant consultation at the same time as it ensures that the entire corporation works towards the achievement of the overall goal, which is based on cost/benefit calculation. Additionally, from an institutional-cultural perspective, this process of close cooperation is a mechanism of internal learning which also socializes and internalizes values within the organization. For instance, NS Pisa’s incorporation of environmental concerns and values by the parent corporation was not conflicting, since both of them share similar environmental concerns.

4.5 Summary

The relationship between NSI and the Brazilian government happens through a high degree of compliance from the mill to the Brazilian regulations, constituting the framework within which NS Pisa has been operating (Hadlock 1994). The NSI Corporate also has a global governance platform which demands obedience to national legislations. Moreover, Stensaas states that NSI does not involve itself in politics, and recognizes the current Brazilian regime to be by far the best for the corporation’s interests in Brazil. There have not been power relationships between the mill and the government (Stopford & Strange 1991). According to Paulo Itacarambi, from the Ethos Institute, the CSR movement is still very little developed in the public sphere. The Brazilian state still associates CSR measures to practices of philanthropy.

Furthermore, in spite of the government’s effort in regulating H&S, working conditions and relationships with unions, their applicability still depends on the good will of the corporation and the ability of the employees to assure them.

The theoretical explanations of the CSR measures implemented by the NS Corporate shows that each perspective on organizational theory does not provide an absolute explanation of the phenomenon. Those perspectives are rather complementary to one another. Each one is not fully able to explain organizational behaviour in a time when socially and environmental demands upon corporations are still an ongoing process. This is the case for NSI. Most of the mill's CSR measures are results of long lasting relations to the environment and public surrounding it. The local business competition has not been a very strong influence on the affiliate, especially before 2001, what has been fulfilled by the parent corporation in the last years. The corporation has been motivated by both cost benefits calculations and by values and norms, the latter which have been internalized over time. There have also been similar values governing the parent corporation and the affiliate explaining the non existence of internal conflicts with the purchase. NSI has only developed on partnership with formal actors; the ANJ and Gazeta do Povo. This partnership falls between the environmental deterministic and the rationalistic approach about organizational behaviour.

My analysis shows that NSHQ has had great dominance on the affiliate, with a well defined internal structure which permits exchange and consultation on daily basis. However, in regard to the CSR measures described above, it seems that forces from above and below has shaped almost equally on the mill. Taking into consideration that the mill is well integrated with the TNC short time after the purchase, it might be the case that the internalization of values by the mill from the parent corporation will enhance the latter's forces driving the affiliate.

5. CSR-measures and Sustainable Development

5.1 Introduction

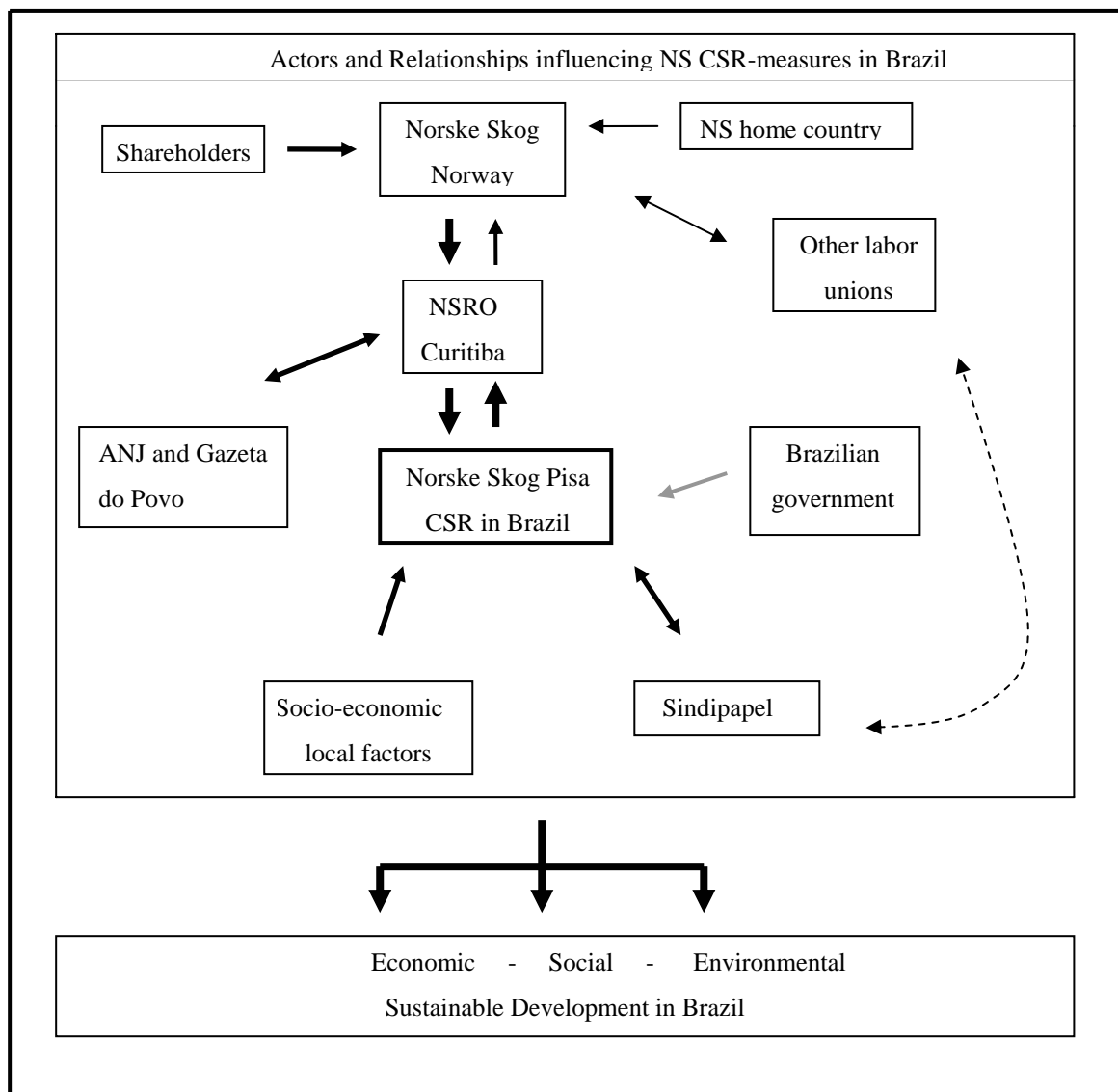
The question I aim to answer in this chapter is: “Are CSR-measures the best means through which TNCs contribute to sustainable development in Brazil?” In order to answer it I will rely on the findings from part one and two of my model. I will start this chapter by revising my model based on the findings from the previous two chapters. Does the model correspond to NS reality in Brazil? Following that, I will address the ability of NS Pisa’s CSR-measures to promote sustainability through the creation of win-win situations. After that, I will enlighten the contextual factors leading to the implementation of voluntary measures at NS Pisa. Finally, the two previous sections will found the basis to answer my third question.

5.2 Analytical model: a valuable model?

Based on my findings, one of the main changes with NS arrival in Brazil was the establishment of a Regional Office at Curitiba. Therefore I am representing the Regional Office in the revised model below. The arrows indicate that most of the information from NSHQ to the mill goes through the Regional Office. The most dominant effect the foreign government has on the affiliate is by assuring its compliance to national regulations. The Brazilian government does not exert dominant influence on the CSR-measures of NS Pisa (this is indicated by the shaded arrow from the foreign government to the affiliate). Moreover, NSI home country is also presented this time.

There has been strong influence from the international public and shareholders regarding CSR values onto the parent corporation, which has influenced many of the CSR-measures at Pisa. The arrow linking the partnership with newspaper organizations to NS Pisa passes through the Regional Office at Curitiba as an indication of an innovative measure implemented after NS arrival. The local conditions at the vicinity have motivated to a large degree Pisa’s former owners are therefore are also included. The relationship between the labour union and NS Pisa is very strong as it exerts great influence on the CSR-measure related to ‘protecting employees’ rights’. The parent corporation has also improved to a large degree this

matter, especially through bridging the communication among labour unions (represented by the dotted lines). The original model I presented did not show the nuances of the complex scenario influencing the CSR-measures at Pisa. However, the model was not completely irrelevant (some of its main traits are still present) although some improvements had to be done. Before I answer my third question, I will enlighten the ability of CSR to contribute to SD based on their definitions present in chapter one.



5.3 CSR and Sustainable Development

CSR is commonly understood as corporations' voluntary engagement (or self-compliance) in initiatives for the promotion of sustainable development (Bendell &

Murphy 1999). The idea of ‘social equity’ (WCED 1987: 43) presented in the Brundtland Report underlies a developmental pattern where all parts win from it, creating a win-win situation. Win-win situation is the most suitable pathway towards SD. In situations where actors’ interests go opposite ways, i.e. when corporations are interested in short-time economic profit at the expense of the society and the environment, a win-lose situation will be created. Win-lose situations are not the best way towards sustainable development. One way to avoid win-lose situations is through close cooperation, or partnership (Bendell & Murphy 1999), between corporations and governmental and non-governmental organizations.⁹⁴ Hence, the exchange of information among diverse actors is a valuable way to ensure the sustainability of all.

5.4 NS Pisa’s CSR measures and sustainability

NS Pisa’s CSR-measures are only the first steps towards sustainability. There is not a recipe for the management of CSR (Almeida 2002) or for the achievement of sustainability. However, I will enlighten the CSR-measures implemented at Pisa on their *ability* to promote sustainability through the creation of win-win situations.

5.4.1 Environmental improvement

The very essence in acquiring ISO 14001 is the commitment a corporation makes not only in relation to controlling environmental impacts, but by setting targets, a corporation is expected to have continuous improvement of its environmental performance. The implementation of the ISO 14001 certification surpasses the idea of physical sustainability by not only reducing impacts, but also contributing to long-term environmental improvement. Corporations ensuring the ecological efficiency of its production process are able to minimize the effects of technological development upon the resource base. However, Almeida stresses: “ISO 14001 is only a point of departure. What determines the consistency and quality of environmental management is the progressive advance towards the acquisition of the following certifications” (2002: 111).

⁹⁴ CSR sceptics advocate for the political regulation of corporations’ activities in such cases. Arguments made by Glasbergen (1998) and Gunningham & Grabosky (1998:54) defend the need for regulation in cases where there is great

Moreover, “ISO 14001 has proven to be a useful tool to evolve from maintaining regulatory compliance to a position of improved productivity and enhanced competitive advantage” (Environmental Management brochure 2002:7). The benefits of such measures do not only fall upon the society in general as it also benefits corporations’ competitiveness in relation to those not certified. This is a valuable example of CSR-measures promoting a scenario of win-win situation within the same generation. Moreover, NSI’s commitment to certify all mills worldwide contributes to global equity in the sense that the same operational standards are required to all unities. In addition to that, the combination of ISO 14001 to OHSAS 18001 is a way of connecting the social and environmental bottom line of SD. Interesting in this matter, is that the initiative to obtain IMS, which was taken locally at Pisa, is now expanding globally within the NSI system.

NS only buys raw-materials from forest plantations, which is a very positive environmental initiative itself. The FSC certification of the forests supplying NS Pisa has a deep impact at NS Pisa’s surroundings. To make sure that forest certification is achieved is a way of spreading responsible behaviour to other actors in the value chain, which also promotes national equity in the path towards SD in the country. Carvalho stresses the importance in spreading CSR-values among small and medium size entrepreneurs, since many are still embedded in a past based on political clientelism management. FSC minimizes this pattern in Brazil since it “sets global multi-stakeholder standards for forest management, based on a democratic decision-making process” (Bendell & Murphy 1999: 58). FSC also aims at integrating the triple bottom line for sustainability through environmental appropriate management and long and short term benefits, such as democratic values, transparency and the empowerment of groups in forest areas. Additionally, it is also economic viable since it gives the best values for FSC forest products, which is confirmed by the priority NS Pisa gives to FCS certified products.

5.4.2 Health & Safety and Working Conditions

I would like to call attention upon NS's Take Care 24 Hours programme. It is a platform which has been developed and constantly assessed by the corporation upon its mills. It surpasses the improvement of H&S conditions at the workplace by delegating responsibilities to employees in their relationships at leisure activities and at home. Moreover, it promotes the well-being of its employees broadly through such practices as morning gymnastics and the anti-smoking campaign. The institutionalization of such values within the social organization of NSI contributes to the fulfilment of aspirations and needs of its employees. Investing in the health and safety of its employees increases their life expectancy besides providing them with a sound life style. It gives them the ability to meet their own needs in the present and to prepare the necessary conditions for their families and future generations. "The satisfaction of human needs and aspirations is so obviously an objective of productive activity that it may appear redundant to assert its central role in the concept of SD" (WCED 1987: 54). H&S standards also contribute to efficient personnel and a productive production process at NS Pisa. According to the Brundtland Report's interpretation: "Money spent on education and health can raise human productivity" (WCED 1987: 54). From a 'health' point of view, the implementation of a smoking-free workplace "would save corporations' costs due to, among other things, absence due to illness"⁹⁵. From a 'safety' point of view, I was informed about the mills' achievement of two years without accidents with lost time (ALT) in May 2005 (it reached 953 days by the end December 2005). The mill has already achieved a record of three years without ALT. It was clearly stated by Umezu that the mill is making efforts to break this three-year record. The investment in H&S at NS Pisa covers both social concerns and economic aims, both for the corporations and for the employees.

5.4.3 Protecting Employees Rights

The process of collective bargaining creates an arena of discussion between employees and employers through which employees are able to materialize their

⁹⁵ Norway's Ministry of Health and Care Services: "Høring: forslag om røykfrie serveringssteder m.v" (18 oct 2002). In: <http://odin.dep.no/hod/norsk/dok/hoeringer/ferdigbehandlede/042041-080003/dok-bn.html>

human needs. Brundtland's Report defines human needs as needs for survival, i.e. employment, food, energy, housing, health care, and needs for well-being (WCED 1987). Although the Collective Agreement is the ultimate materialization of employees' needs, it is through dialogue and participation that the process is initiated. Such practices lay the right preconditions for the achievement of sustainable development were all win from it. The process of dialogue provides a viable framework for achieving sustainability by ensuring equitable opportunities for all parts involved to discuss it, both at local and global levels. It creates an arena where individuals are able to reach consensus about developmental paths. "Sustainable development requires meeting the basic needs of all and extending to all the opportunity to satisfy their aspirations for a better life" (WCED 1987: 44). In the case that such measures are maintained throughout the years, equity will also be distributed between generations.

5.5 Professional & Educational Development

Sustainable Development includes more than economic growth. It is about the quality of growth. "Sustainability requires views of human needs and well-being that incorporate such non-economic variables as education and health enjoyed for their own sake..." (WCED1987: 53). Investment in education and training can ensure that a qualified workforce will be able to exercise their duties economically and environmentally efficiently and thus raise productivity and competitiveness of the corporation. Moreover, international training provides the opportunity to scientific-related exchanging. It also sets a minimal standard for the knowledge of employees worldwide. In this regard, the preconditions for achieving SD will be based on equitable opportunities offered at both global and national levels.

The improvement of social conditions at local communities through the implementation of Positivo School and SENAI, is another way of approaching sustainability. "Changing the quality of growth requires changing our approach to development efforts to take account of all of their effects" (ibid). Equal opportunity should also be provided to those with disadvantages so that it also reduces their vulnerability to eventual economic crises (WCED 1987). This is even important in

situations when the vicinity is in a large degree dependable on the activity of one corporation (such as Jaguariaíva in relation to NS Pisa). “Economic and social development can and should be mutually reinforcing.... Economic development can accelerate social development by providing opportunities for underprivileged groups or by spreading education more rapidly” (ibid: 54).

5.6 Norske Skog Pisa, but still “*Mãe Pisa*”

The second part of my model refers to the process through which CSR measures have been reached. One of the core understandings of CSR presupposes the voluntary initiative of corporations above legal requirement. The question is how to expect TNCs accountability to the public and the environment through responsible production activities.

NS Pisa’s main motivation to implement CSR-measures was based on the needs of the local society. The CSR-measures implemented at Pisa are strongly influenced by the Brazilian national context in which Pisa is embedded in, especially in Jaguariaíva. The community did not have the proper infrastructure, such as the offering of school attendance and qualified personnel, when the mill was built in the middle of the 1980’s. I have showed earlier that the investment in the local vicinity and in the employees have been top priority to Pisa’s former owners. The investments in the local vicinity and the employees are also necessary measures to guaranteeing the good activity of the enterprise. NS Pisa’s concerns towards the local community have contributed to its successful development over time. This is also reflected by the recognition the mill has received by its employees and the local community. Their close bond established over time explains the nickname the mill has received from its employees: “*Mãe Pisa*” (“Mother Pisa”). Furthermore, the local community still makes reference to the mill as Pisa. It seems that the mill’s own identity surpasses to a certain degree the new structure it has received from the NSHQ.

Additionally, and in regard to the transition from PISA Ltda to Norske Skog Pisa, my impression is that this process occurred in a very smooth way, both from a local and global point of views. The local employees were excited with the purchase since they regarded it as an opportunity to improve even further the social and

environmental concerns the company had already committed to. NSHQ has given continuity to Pisa's investment in the local community, as it is aware itself about the implications of such investments for the running of the corporation. According to Stensaas & Dahlen, NS is in a large degree a cornerstone company in each locality. To invest in the infrastructure of the vicinity and to prepare the right conditions for the employees and their families are decisive factors for the acquisition of top qualified personnel and the good running of the corporation. In order to illustrate that I will quote the executive president of CEBDS, Fernando Almeida: "There are not good business in failed societies". The main idea is that the voluntary initiatives of corporations are after all not that voluntary. The survival of private actors is strongly dependant on the environmental, social and economic sustainability of the society. There is no room for win-lose situations, neither now nor in the future.

In addition to the existing institutional-cultural values at Pisa and the common communication with the parent corporation, there is a strong market force demanding the corporation's compliance to responsible corporate behaviour. NSHQ has understood that unless it copes with these external exigencies, it will not get the necessary middles to survive both at short and long time perspectives. This international competitive business environment has influenced NS Pisa through its parent corporation from above. NSHQ has influenced the mill by providing predictability to its actions and systematization of strategies as a result of well defined policies and references. NSHQ's coordination of Pisa's CSR measures ensures and assures their applicability in Brazil. As long as the international market continues demanding socially and environmental responsible behaviours from private actors, the NS Corporate will ensure the practices of CSR throughout the organization. The implementation of NS Pisa's CSR-measures is due to a highly integrative process from below through the affiliate and from above through the parent corporation. In sum, the discussion on whether CSR measures are the best means to sustainability is more than a debate about the legal regulation of business activities. "CRS is...a matter of competitiveness and survival" (Almeida 2002: 139).

5.7 CSR measures = sustainable development in Brazil?

My case shows that both the NSI and local actors at Pisa are cooperating, in various ways, for the successful implementation of CSR measures. There has not been in my analysis a scenario of win-lose situations in which neither complaints to the national authorities nor pressures upon the corporate have taken place. The existence of win-win situations at NS Pisa site are evidences of the ability of CSR measures to promote sustainability in the region. However, does the case correspond to the reality of the country?

I presented in the introduction of this thesis that there is a fast growing and energetic CSR movement in Brazil. The uninspiring social and economic reality experienced by a majority of Brazilians combined with the lack of capability of the state in providing the necessary goods and services to its population has catalysed this movement in country. However, there still remains a long way to go. Brazil is a land of contrasts, in all possible aspects. The cultural, social and economic differences between north and south are still very big. At the north, the educational level is weaker, poverty rate is higher and the core labour rights are not respected. The context of the central-north region shows a wide gap in equality within the current generation. The ‘needs’ of the present, from whoever it might come from, are strongly oriented by short-term cost benefits calculations. There is little relationship and collaboration among diverse actors locally reflecting a win-lose scenario in the region. This situation contributes to the degradation of natural resources through illegal logging and industrial pollution. Although some northern actors have understood some aspects of CSR and its contribution to SD, there is still a long way ahead before the integration and the common willingness to walk towards common goals can be reached. It is based on this Brazilian context that Paulo Itacarambi from Ethos Institute does not access the promotion of sustainability as a question of whether voluntary initiatives or legal binding framework. For him neither the first nor the latter alone are able to promote sustainability. Regulation from the state is needed in order to secure the basic needs of the society (although as it has been enlightened the limited capacity of the state in doing it so). Regardless of that, the regulatory framework by the state is still a necessary mean in win-lose situations. According to

Itacarambi, there must be an organic balance between both practices with one differentiation: that the corporations implementing voluntary measures are valorised by the market and civil society. The more the voluntary regulation evolves, the more they will influence the capability of state to improve their regulatory mechanisms. Based on the above, the voluntary initiatives from corporations are valuable means towards the promotion of SD as long as there is synergy between the corporation and the contextual framework in which they are embedded.

5.8 Summary

“Are CSR-measures the best means through which TNCs contribute to sustainable development in Brazil?” I have showed in the analysis that the CSR measures implemented in Brazil have the ability to promote long lasting win-win situations, to the society in general and to the corporation’s interests. They are able to build the path towards sustainable development in case they continue to be implemented. NS Pisa’s CSR measures are also a result of the good relationship and common interest between the actors involved. NS Pisa has been aware of its role in the local community and tried to benefit the region with the positive economic development of its activities.

However, there are also other mechanisms able to contribute to sustainable development in case win-lose situations appear. Although the scenario NS Pisa is embedded in is able to promote positive development to all, it would rather be unrealistic to assume that the same would happen in the entire country. In spite of a fast growing CSR development, there are still many others to be involved in for the promotion of sustainability. Moreover, the economic and social inequalities within the country and between regions represent a scenario pre-existing scenario of win-lose situation in Brazil, which will probably demand the participation of the entire Brazilian society; the state through enforcement of regulations and the supply of basic needs, and the civil society and private actors, through the implementation of voluntary initiatives.

6. Conclusion

There is a movement calling for the socio-environmental responsibility of corporations and for the promotion of sustainability in Brazil. In the first part of my ‘analytical’ framework I have introduced the voluntary measures implemented by the TNC Norske Skog at its affiliate NS Pisa. I have enlightened how the TNC is addressing the impact of its activities in relation to the environment; the health, safety and the working conditions; the employee’s rights and to professional and education development. Following that, an analysis was made about the factors and actors instigated NS Pisa’s CSR measures. I have been able to enlighten the organic driving forces from two main arenas: the affiliate’s relations with local external actors; and the internal motivation of the affiliate and the parent corporation. At last, a new dimension was given to the voluntary initiatives of corporations on their ability to contribute to sustainable development in Brazil. A more precise connection was made between the CSR measures defined previously to the concept of sustainable development. Additionally, the interaction and relationships contributing to the voluntary initiatives of the corporation aimed to enlighten the ability of CSR in contributing to sustainability. However, one question remains to be answered. To what extent a transnational corporation is able to contribute to sustainable development in developing countries?

6.1 From ‘above’ and from ‘bellow’

The question “to what extent Norske Skog contributes to sustainable development” has within it an underlying idea of a TNC’s ability to promote sustainable development in developing countries from above. And this is how TNCs are approached by the society when conducting activities in developing countries. However, my case study has showed that a TNCs’ contribution to sustainable development must take into consideration three integrative aspects: high management standards from developed countries combined with the needs and conditions at local level, through close relationship with the local affiliate and local stakeholders. Paulo Itacarambi at Ethos Institute says that TNCs have a great potential to contribute to SD in Brazil, which is through the transference of the same management standards they

apply in developed countries to their operations in developing countries. NSI has transferred to NS Pisa the same standards and procedures it uses in Norway and elsewhere in the world. This provides predictability and security internally in the corporation through a common framework which all people are able to relate to. NSI transference of the management systems through global policies and codes of conduct elevates the standards of its activities locally. It contributes to an efficient production process at local level and enhances the competitiveness of the TNC both locally and globally.

Moreover, NSI is also open to the adaptation of cultural norms and values in the management of its activities locally. NSI's CSR measures in Brazil have also given continuity to the best practices already implemented locally by its mill, and which are strongly based on the social conditions and needs of the local community. It provides a more realistic approach to the particular challenges and needs of the vicinity as a point of departure towards sustainability. NSI has understood that CSR is a "strategy that associates the sustainability of the society with the sustainability of business" (Paulo Itacarambi [interview]). In other words, investments made upon the society also promote benefits and the long lasting sound activities for the corporation. Moreover, TNCs should also be aware of the opportunity they have by operating in a foreign country. The promotion of CSR measures locally, and the demands imposed by TNCs on the local stakeholders for the compliance of such measures is only one way towards sustainability. TNCs should not take for granted that local actors in developing countries are also able to develop and implement good and innovative CSR measures. This is also a valuable opportunity to the transferring of the best practices from the local to the 'global'.

A third element is about the integration between the TNC and local actors and the affiliate. One must not take for granted that a TNC will develop close cooperation with its affiliates abroad. NSI investment on a common internal structure within the organization, the transference of values and the establishment of a Regional Office are practices ensuring that the same standards are implemented at all mills. NSI has also given continuity to the relationships developed by the affiliate. It is part of the corporation's responsibility to relate to and collaborate with the local society being

influenced by its activities. After all, they are the best actors to provide the corporation with the knowledge it needs for the development of sustainability.

6.2 The way ahead...

What can we learn from this case? This is a study on the ability of TNCs to promote positive development through CSR measures in a developing country, which is not an unusual phenomenon. The contextual factors surrounding the TNC and its affiliate have revealed themselves propitious to the conduction of CSR measures where all are able to win from it. One may argue that this is not the reality most TNCs face when conducting their activities in developing countries. Many TNCs are met with difficulties in their relationships with local governments and an unfriendly society, especially if those have already experienced only the negative impacts of economic development.

However, TNCs have a strong potential to influence and promote socially responsible behaviour of their foreign affiliates and local stakeholders. As I have showed earlier, not all CSR measures are really voluntary. As long as a TNC's value chain understands that socio and economic values are prerequisites to economic gains, local actors will strive to behave in accordance. In this regard, TNCs could take the proactive role of "*front runners*" in the Brazilian scenario by setting the standards the Brazilian government and other actors will follow. It will not only be a contribution to sustainability in Brazil, but it will also benefit corporations, as NSI itself, involved in CSR activities. It will create a level playing field for NS in Brazil. I would like to finish by quoting Brazil's former minister of the Environment, José Carlos Carvalho:

"Many MNCs have contributed positively [to SD in Brazil] in the sense that they give visibility to the comparative advantages from CSR projects. In this way they function as innovative leaders and as a 'demonstrative field' to those who have not structured themselves in this area. However, it is a pity that it does not always happen."

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